

Policy Recommendations and Options for the Future Growth of Michigan Agriculture



Michigan Farmland and Agriculture Development Task Force





Michigan Farmland and Agriculture Development Task Force

Established by: Governor John Engler

Task Force members:

- Bill Schuette, *Task Force Chair, former congressman, former director of Michigan Department of Agriculture and Senator-elect in the Michigan Legislature*
- George Cushingberry, *Wayne County Commissioner and former state representative*
- Gary Dewitt, *CEO, Bil Mar Food Company*
- Joseph Gesmundo, *President, Gesmundo and Associates, commercial and residential builders*
- Dr. Gordon Guyer, *Director, Michigan Department of Agriculture, former president of Michigan State University and former director of Michigan Department of Natural Resources*
- Rollie Harmes, *Director, Michigan Department of Natural Resources*
- Jack Laurie, *President, Michigan Farm Bureau*
- Don Nugent, *President, Gateway Products, member of the Michigan Commission of Agriculture and Trustee-elect, Michigan State University*
- Dr. Fred Poston, *Vice Provost and Dean, College of Agriculture and Natural Resources, Michigan State University*
- Bill Rustem, *Vice President, Public Sector Consultants and a co-author of the Michigan Relative Risk Report*
- Dr. Martha Seger, *President, Martha Seger and Associates and former member of the Federal Reserve Board*
- Elaine Skarritt, *Milford Township Clerk and former president of the Michigan Township Association*
- Jordan Tatter, *President, Hanson Cold Storage Co. and a member of the Michigan Natural Resources Commission*
- Tom Washington, *Director, Michigan United Conservation Clubs and President of the National Rifle Association*

Staffing provided by:

- Dennis P. Bidwell, *Director of Land Protection, American Farmland Trust*
- Dr. David Skjaerlund, *Task Force Coordinator and principle author of this report*

Private funding provided by:

- W.K. Kellogg Foundation
- Americana Foundation
- Consumers Power Foundation
- Rollin M. Gerstacker Foundation
- Michigan State University
- Dow Elanco

For more information, contact:
Dr. David Skjaerlund
Task Force Coordinator
(517) 484-4954
or
American Farmland Trust
(202) 659-5170



TABLE OF CONTENTS

I.	Background and Purpose of Task Force	1
II.	The Status of Michigan Agriculture	3
A.	Importance of Michigan Agriculture	3
B.	Extent of Farmland Loss	4
C.	Land Use Patterns Affecting Agriculture	7
D.	Impact on Remaining Farms	10
E.	Our Current Challenges	11
III.	Guiding Principles for Public Policy	13
IV.	Policy Recommendations and Options	15
A.	The Michigan Agriculture Protection Plan	18
1.	Establish agricultural security areas	18
B.	Economic Growth of the Agricultural Industry	21
1.	Institute additional tax reforms and use-value assessment	21
2.	Strengthen Michigan's Right-to-Farm Act	21
3.	Provide support to the agriculture processing industry	23
4.	Promote programs assisting young farmers	23
C.	Incentives for Farmland Protection	25
1.	Provide enabling legislation for tools that allow farmers to realize part of their property value without having to sell their land	25
2.	Use PA 116 lien fund for purchase of development rights demonstration projects	26
3.	Create and fund a state purchase of development rights program, implemented at the local level	26
D.	Zoning and Infrastructure	28
1.	Include agriculture in all aspects of local planning	28
2.	Encourage greater use of effective zoning tools to better utilize land resources	28
3.	Amend the Subdivision Control Act	30
4.	Utilize agricultural impact assessments	31
E.	Urban Redevelopment	33
F.	Environmental Stewardship	35
1.	Encourage partnerships to enhance environmental stewardship	35
2.	Provide incentives for environmental stewardship and	

	development of new technologies	36
3.	Prioritize protection of wetlands	37
G.	Mapping, Database and Analysis	38
Appendix A:	Executive Order 1994-4	39
Appendix B:	Brief Summary of Public Comments	41
Appendix C:	Brief Summary of Historical Agriculture Documents	44
Appendix D:	Acquisition of Development Rights	45
Appendix E:	Effective Zoning Tools	48



I. BACKGROUND AND PURPOSE OF TASK FORCE

Among the major findings of the 1992 Michigan Relative Risk Analysis Project was the need to critically examine land use issues in Michigan. Gov. John Engler established the Michigan Farmland and Agriculture Development Task Force by executive order in February 1994 to address the impact of current land use trends on agriculture. A copy of Executive Order No. 1994-4 is included in Appendix A. Engler appointed 14 business, farm, conservation and community leaders to the task force to examine the issue of farmland loss and the economic viability and potential for future growth of Michigan's second largest industry - agriculture. The task force was charged with the following responsibilities:

- Identify trends, causes and consequences of conversion of agricultural land to non-agricultural uses;
- Identify voluntary methods and incentives for maintaining land for agricultural production; and
- Provide recommendations for enhancing the continued vitality of agricultural activity and protecting private property rights, thereby retaining land in agricultural use.

American Farmland Trust, a national farmland conservation group, provided staff support for the task force. The task force was privately funded by W.K. Kellogg Foundation, Americana Foundation, Consumers Power Foundation, Rollin M. Gerstacker Foundation, Michigan State University, and Dow Elanco. The task force is grateful to these organizations for their support.

Public input was an essential element for the task force and three very well-attended public hearings were held in Grand Rapids, Traverse City and Novi. A brief summary of these comments is included in Appendix B. The task force also invited speakers from other states to talk about farmland protection programs enacted by other states. Wanting to take a first-hand look at Pennsylvania's very successful farmland protection program, Michigan task force members and staff traveled to Pennsylvania to visit with legislators, agricultural leaders, county and township officials, and farmers.

The task force also served as the technical advisory and review committee for the Michigan Society of Planning Officials' *Agriculture Trends Working Paper*. This 110 page report provides an excellent and thoroughly documented analysis of current trends in Michigan agriculture, including the impact of changing land use patterns.

Some of the options in this report have been recommended by other commissions, appointed by former Michigan governors, as well as a recent House Republican task force, but have not been enacted. For example, an agriculture task force appointed by former Gov. William Milliken in 1970 recommended that agricultural land not be assessed at its development potential but according to its agricultural use. A brief historical summary of documents relating to Michigan agriculture is included in Appendix C.

The policy recommendations and options presented in this report provide a glance at Michigan's future. Citizens throughout Michigan, urban, rural and suburban, need to be cognizant of how important the agriculture industry is to the growth and development of Michigan in the years ahead.



II. THE STATUS OF MICHIGAN AGRICULTURE

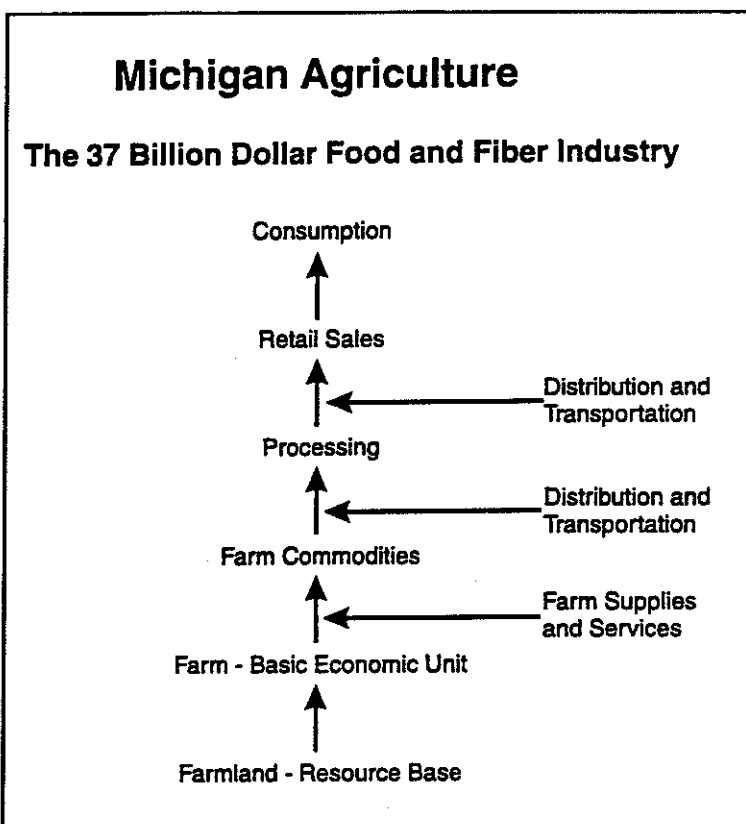
A. Importance of Michigan Agriculture

Agriculture, Michigan's second largest industry, contributes more than \$37 billion annually to the state's economy. One-eighth of all employment is in the food and fiber industry, with approximately 100,000 people (in addition to farm operators) employed directly on 46,500 farms. The \$3.7 billion in annual gross farm income is important to local economies. Promoting agriculture is clearly a good investment for state and local economies.

Michigan has many agricultural advantages, such as an abundance of fresh water, fertile soils and a mild climate created by the Great Lakes, which also provide easy access to commercial shipping. Because of its unique micro-climates,

Michigan is the second most diverse agriculture industry in the nation and produces more than 100 different food and fiber products. Michigan leads the nation in the production of tart cherries, blueberries, cucumbers for pickles, flowers and edible beans such as navy, cranberry and black turtle beans. This amazing diversity gives the state agricultural economy great stability.

Michigan farms are dependent on ancillary agricultural enterprises such as machinery and equipment dealers, elevators, chemical suppliers and processors. The influx of new value-added processors often results in new market opportunities and higher commodity prices for farmers as well as additional community employment. These businesses likewise depend upon farms and agricultural production in order to survive and grow. If the amount of agricultural production declines locally, these businesses are directly impacted.



Agriculture is not only a vital economic industry in Michigan, but also provides some key environmental benefits. Farmland represents almost 30 percent of the state's total land resources. These 10.1 million acres, including both fields and woodlands, provide important watershed protection and wildlife habitat. The scenic beauty and historic landscapes provided by farmland are important to the state's third largest industry, tourism. Many recreational opportunities and relief from urban congestion are provided by farmland and its associated open space.

B. Extent of Farmland Loss

In 1992, there were approximately 10.1 million acres of farmland in Michigan with 8.1 million acres of tillable cropland. The other 2 million acres of non-cropland consists of pastureland and roughly 1.2 million acres of woodlands. The fastest decline in farmland (a 34 percent decrease) occurred from 1954 to 1974, when an average of more than 280,000 acres of farmland were converted to other uses each year.¹ In comparison with other states in the Great Lakes region, Michigan's farmland loss from 1954 to 1992, 6.4 million acres, was the largest, and the 39 percent decrease, was 1.6 to 5.6 times greater than that of neighboring states.

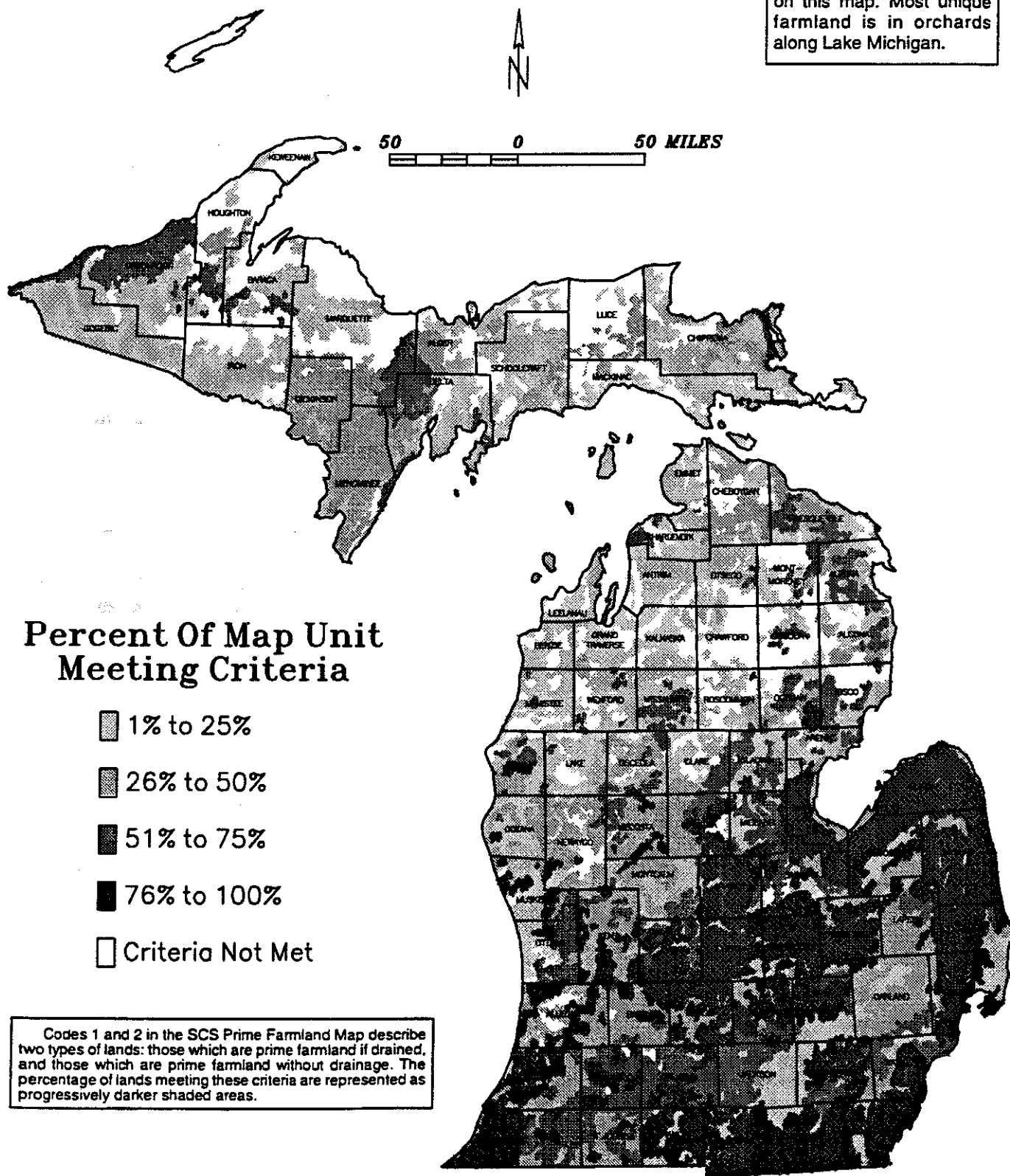
An excellent, thorough and well documented analysis of current trends in Michigan agriculture, including the effect of changing land use patterns, has been completed by the Michigan Society of Planning Officials. The Agriculture Trends Working Paper (written by Dr. David Skjaerlund and Dan Norberg, December 1994) is highly recommended.

From 1982 to 1992, 854,000 acres of farmland (133 square miles per year - about 10 acres every hour) have been converted to other uses, equivalent to a tract of land larger than Rhode Island. Of the state total, nearly 70 percent of all converted farmland acres in the last 10 years were located in the southern half of the state, below a line drawn from Bay City to Grand Rapids. This is also the location of the majority of prime soils in the state, as classified and determined by the Natural Resources Conservation Service. In the unique micro-climate area around Traverse City (Antrim, Benzie, Grand Traverse and Leelanau counties), farmland acreage declined 14 percent.

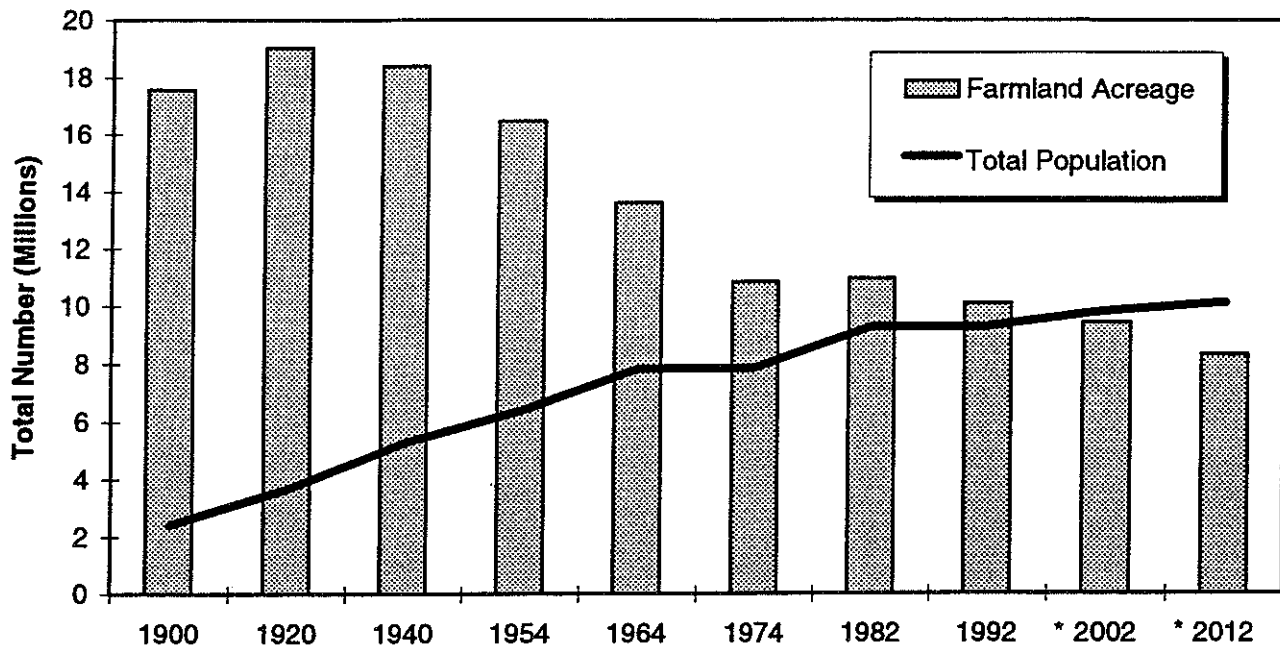
Farmland consists of both cropland and non-cropland (such as woodlands). Cropland is tillable land used for the cultivation of agricultural commodities, including hay, orchards, nursery and greenhouse crops, and idle cropland (including land in the Conservation Reserve Program). Some regions experienced accelerated cropland reductions. More than 40 percent of all converted cropland was located in eight southeast Michigan counties (Wayne, Oakland, Washtenaw, Livingston, Genesee, Lapeer, St. Clair and Macomb). Another 30 percent of the state's total converted cropland was located in counties surrounding Grand Rapids and Kalamazoo. Antrim and Benzie counties near Traverse City experienced a 17 and 20 percent reduction in cropland from 1982 to 1992. Assuming these current trends were to continue for the next 20 years, Michigan would

Prime Farmland Codes 1 and 2

Unique farmland is also important but not depicted on this map. Most unique farmland is in orchards along Lake Michigan.



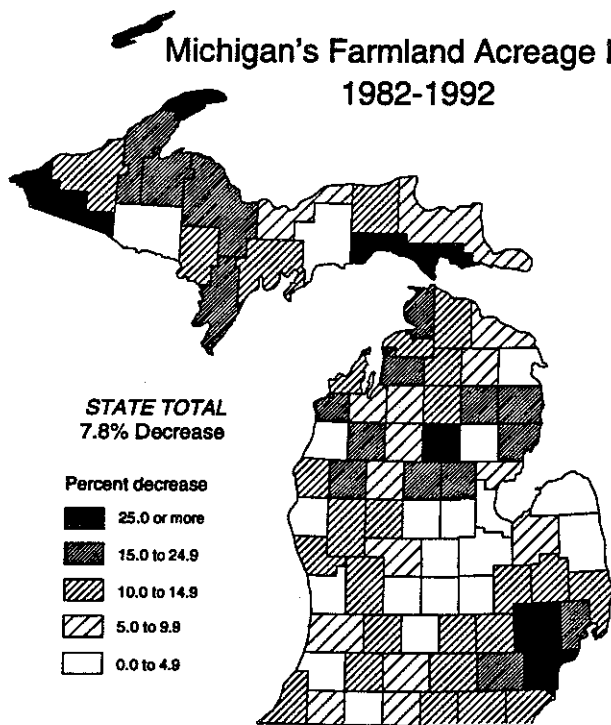
MICHIGAN POPULATION GROWTH AND FARMLAND ACREAGE, 1900-2012



* Projected

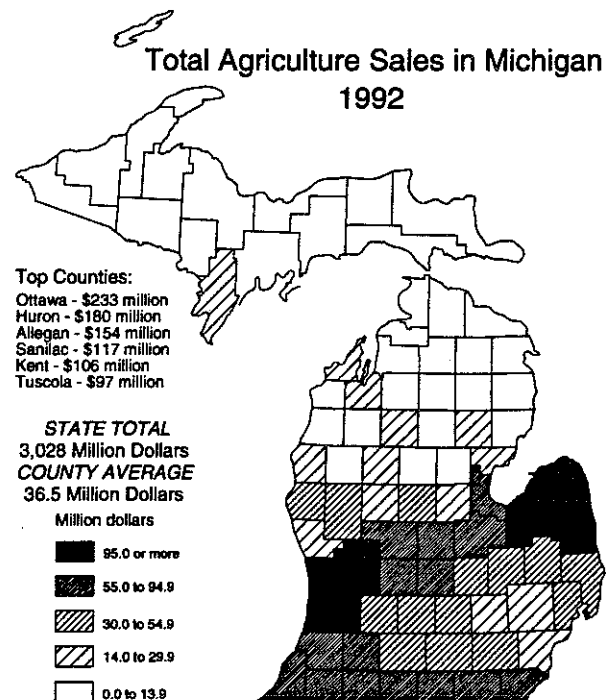
Source: U.S. Bureau of the Census

Michigan's Farmland Acreage Loss 1982-1992



Source: U.S. Bureau of the Census, Census of Agriculture

Total Agriculture Sales in Michigan 1992



Source: U.S. Bureau of the Census, Census of Agriculture

have 8.1 to 8.6 million acres of farmland in 2012. The *MSPO Agriculture Trends Working Paper* has also projected accelerated rates of farmland loss in certain geographic regions of the state if current land use trends continue. Once farmland is fragmented or converted to other land uses, the loss of farmland is usually permanent.

The total dollar value of agricultural sales has steadily increased over time, even with the loss of farmland, partly due to an increase in yields and productivity. However, the loss of productive farmland means the annual loss of local revenue and sales from agriculture. The 300,000 acres of cropland converted to non-agricultural uses from 1982 to 1992 represents a potential loss of \$60 million to \$120 million (\$200 - \$400 per acre) every year in local farm revenue (gross farm sales). The loss of local agricultural production also has an additive economic impact on local ancillary agricultural businesses. When the most productive agricultural land is permanently taken out of production, farming becomes more dependent on marginal land that can produce comparable crops only with more intensive inputs. Therefore, as we consider Michigan's future economic growth and development, we must also examine the economic and environmental importance of production agriculture.

C. Land Use Patterns Affecting Agriculture

Agriculture is directly impacted by recent trends in land use patterns. Michigan has not experienced significant increases in population during the last 10 to 15 years, although a dramatic shift in the location of residential development has occurred. As a result, the amount of land used for

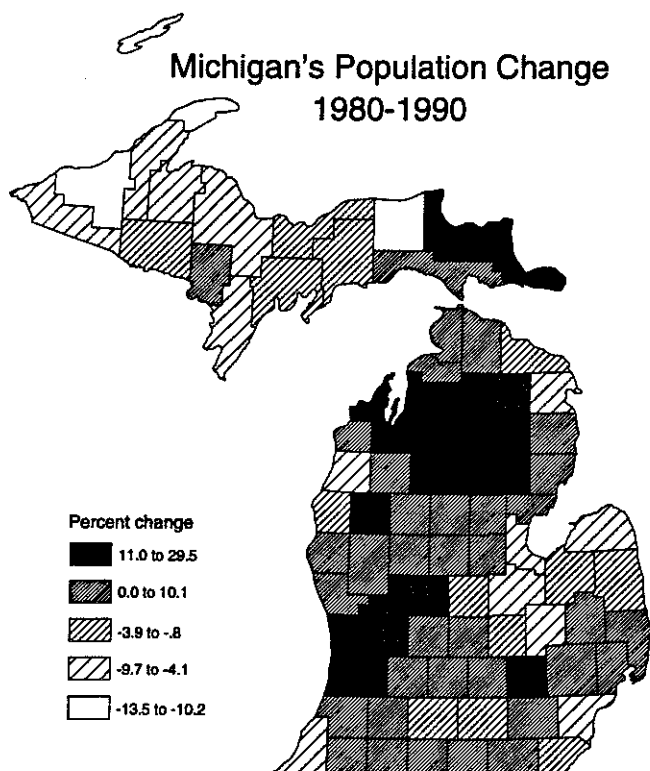
NON-AGRICULTURAL DEMANDS FOR LAND USE

- **Increasing population and number of households**
- **Migration from urban to newer suburban housing**
- **New lower density developments with larger lot sizes**
- **Increasing number of rural 10+ acre lot divisions**
- **Largest number of second homes in nation**
- **Second largest number of golf courses in nation**
- **Increasing commercial construction in suburban areas**
- **Increasing vehicle miles and road construction**

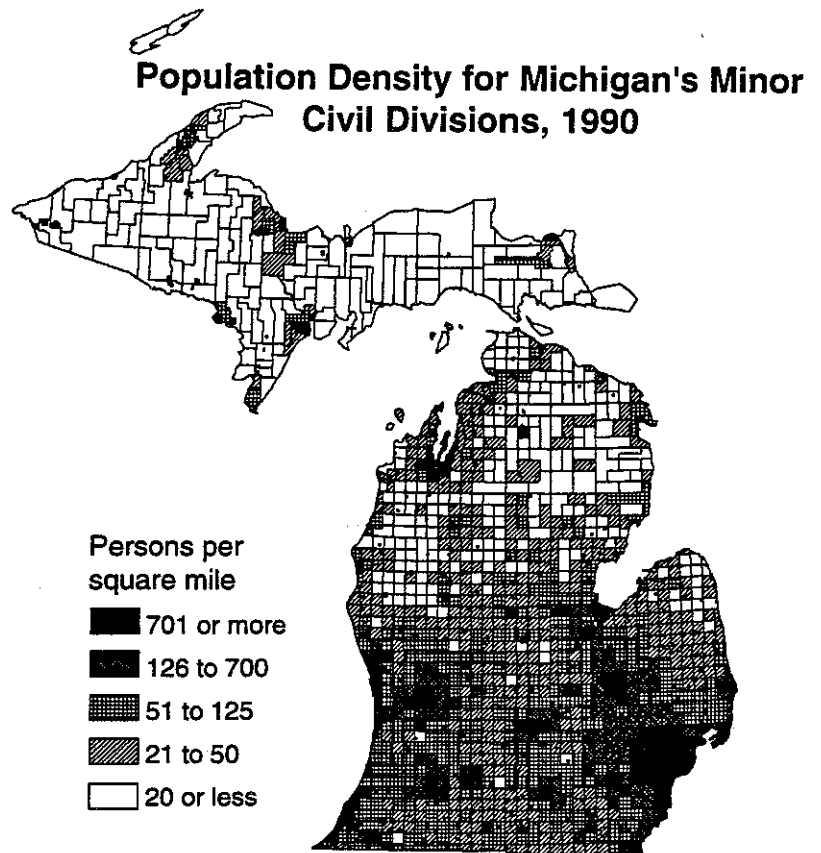
residential housing has continued to rapidly increase, placing additional pressures on agriculture. When suburbs grow, they often expand onto land ideally suited for agriculture. Yesterday's cornfields are today's shopping centers, which may be abandoned for the mega-malls and communities of tomorrow.

Since 1980, many areas have experienced rapid population growth - southeast Michigan, Grand Rapids area and northern lower peninsula - while other communities have had significant population losses - notably metropolitan Detroit, Saginaw, Flint and Jackson. The Grand Rapids area, which has three of the top five agricultural producing counties

in the state, is also experiencing one of the fastest population growth rates. Agriculture in Ottawa County, whose \$233 million in annual gross farm sales is the highest of any county in Michigan, will be greatly impacted by a projected increase of 100,000 new residents by 2015 - a 54 percent increase in population. In the northern half of the lower peninsula, second home and retirement home development is associated with population gains in excess of 20 to 50 percent in some counties.



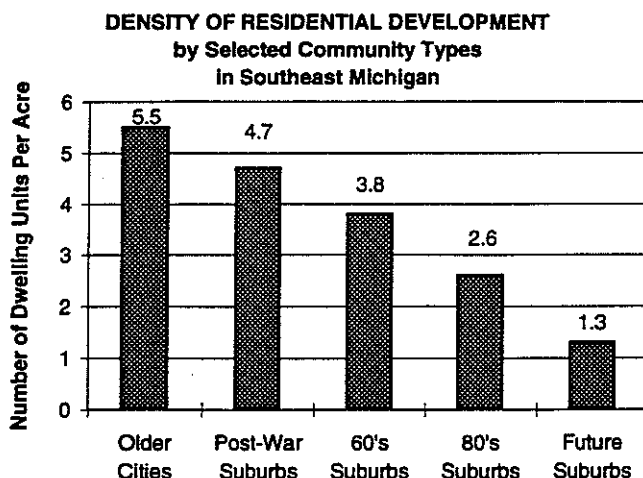
Source: U.S. Bureau of the Census, *Census of Population*



Source: U.S. Bureau of the Census, *Census of Population*

Rural and urban population shifts reflect an increasingly mobile population base. An increasing proportion of commuters working outside their county of residence (now more than 25 percent) suggests that residential development has moved many workers further from their place of employment and many of those homes are in agricultural areas. People have moved from the urban centers out to surrounding rings of suburban development that often occurs on productive farmland. During a 35-year period, close to 1 million people left Detroit, a number more than the entire population of the cities of San Francisco, San Jose or Indianapolis. The number of suburbanites in southeast Michigan is now three-fold greater than the number of Detroit residents.² As a consequence, city centers are often left degraded, with fewer resources, fewer jobs and a smaller tax base.

Despite smaller population increases, the number of households has increased due to factors such as more single parent families, smaller families and retirees, which increases



Source: SEMCOG, RDI v89

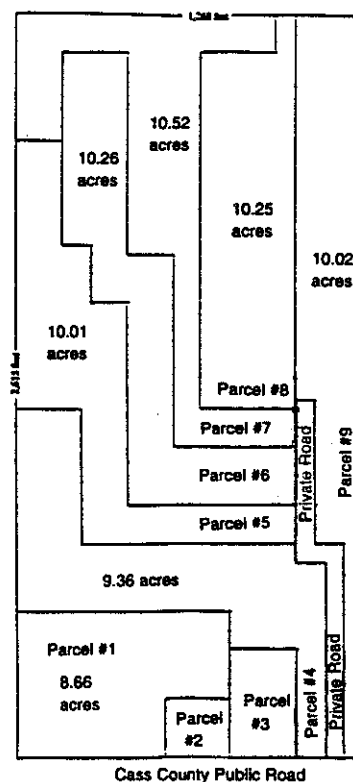
population increase over the next 20 years, but a 40 percent increase in the amount of land occupied due to the low density of new development.³

Land fragmentation is a growing concern in rural areas. Land division and sale, even without intense development, can rapidly reduce the viability of land for farming or forest management. Recent research has linked the Subdivision Control Act of 1967 with accelerating rates of fragmentation in many rural areas throughout the state.⁴ This act created an incentive to develop unplatted lots exceeding 10 acres in size. As a result, the number of unplatted lots and the acres of those lots increased by more than three times in representative townships from 1960 to 1990. In comparing Michigan, Indiana and Ohio townships bordering the shared southern state line, preliminary research has shown 40 percent greater land fragmentation occurring in Michigan townships.⁵

The MSPO *Agriculture Trends Working Paper* projects a 10 percent population increase for Michigan in the next 20 years with an additional 1.0 million to 1.8 million acres used for construction of new single family housing alone. Approximately 1.5 million acres were used for residential purposes in 1978.⁶ During the next 20 years, Michigan farmland will decrease 18 percent if current land use trends continue.

The cost to local communities of providing services to a sprawling residential population increases as greater demands are placed on infrastructure. The lower density developments are often more costly to service and more demanding upon existing services than the more compact

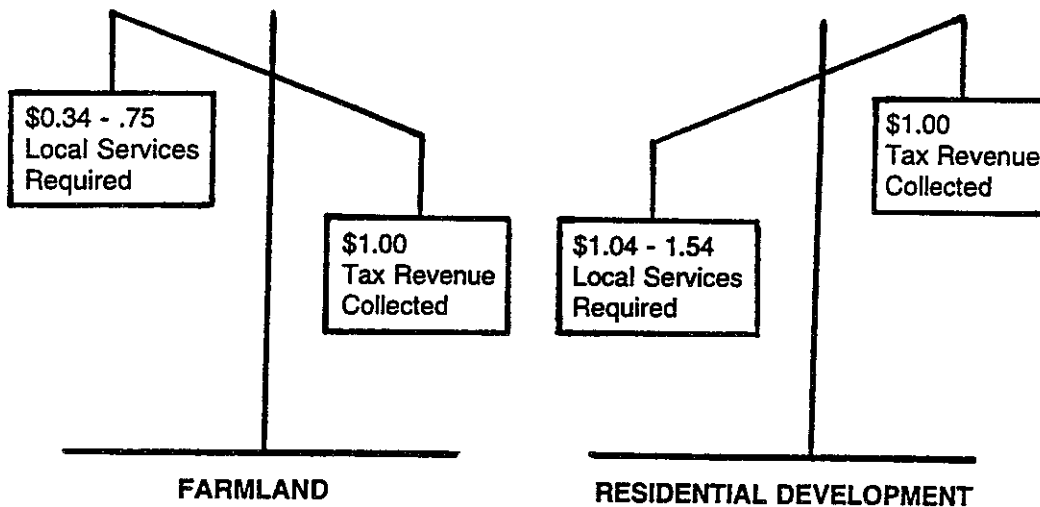
the need for housing. Housing lot sizes have continued to increase, accelerating the consumption of rural land. The number of dwelling units per acre of land has steadily fallen, a 75 percent reduction since World War II, and future suburbs may accelerate this trend by requiring several acres per lot, rather than several houses per acre. Some communities now require a minimum of two, five or 10 acres per lot. A report by the Southeast Michigan Council of Governments (SEMCOG) projected a 6 percent



Actual example of land division under SCA - 76 acres in Silver Creek Twp., Cass County, Mich.

development of an earlier era. Studies conducted by the American Farmland Trust in other states show that for every dollar generated in tax revenues, farmland requires just 34 to 75 cents in public services. In contrast, residential development requires \$1.04 to \$1.54 in services for each tax revenue dollar collected. In addition, farmland and agriculture not only continue to generate tax revenue with fewer needs for services, but also continue to generate income and employment year after year.

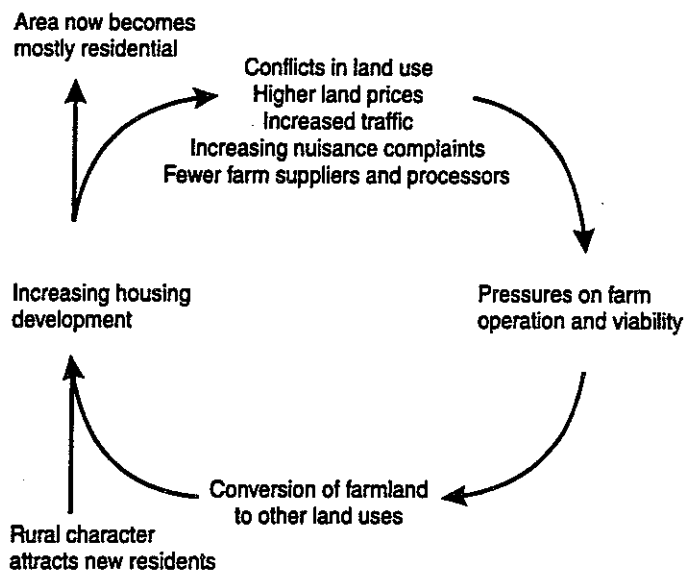
FISCAL IMPACTS OF AGRICULTURE AND DEVELOPMENT



D. Impact on Remaining Farms

As the density increases in previously predominantly agricultural areas, the impact upon agricultural operations can exponentially increase. The greatest impact of increasing residential development is not just the potential loss of farmland, but the impact on existing farm operations. An increase in the number of non-farm residences in rural areas can often place greater pressures upon farm operations, making it more difficult for them to continue or expand.

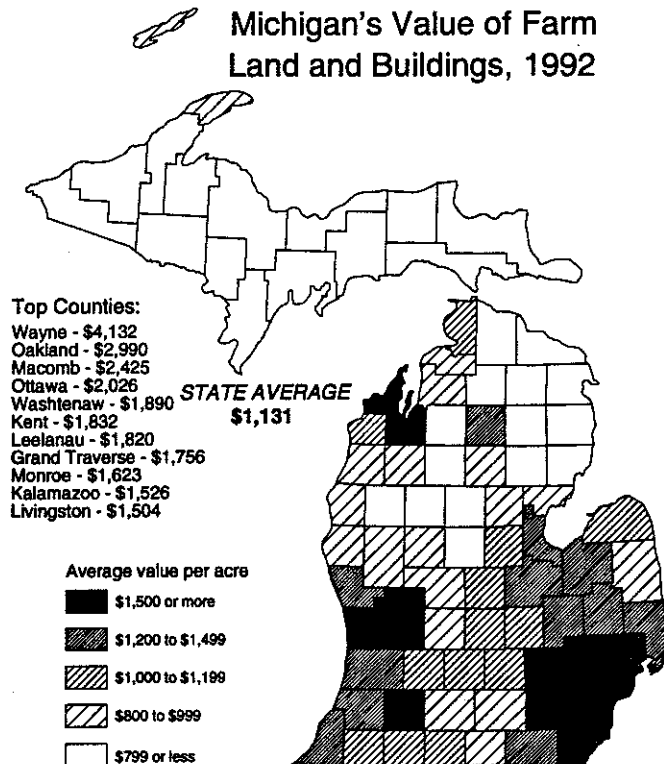
The Cycle of Farmland Conversion



Many people move out to the country, attracted by the rural farm countryside, only to later object to noise, dust, odors or use of pesticides associated with farm operations. Increased vehicular traffic, often associated with increasing residential development, can create new difficulties for farmers. Farmers may be forced to compete with other motorists for access to farmland, supplies, and movement of farm equipment and machinery.

Farmland values are driven up by competing land uses in areas experiencing residential growth. Neighboring farmers, or beginning young farmers, wishing to purchase additional farmland are priced out of the market by developers, land speculators and prospective new residents. The remaining farmers are then faced with high assessment values based not on the agricultural use, but rather on the development value.

As the number of non-farm residences increase, the pressure upon the farmer to sell increases. If farm operators believe that development of their farmland is inevitable, long term improvements to the farm will often not be made. Support services for agriculture also become fewer as the agricultural activity of an area decreases.



Source: U.S. Bureau of the Census, *Census of Agriculture*

E. Our Current Challenges

Community development is essential to economic growth and the quality of life in Michigan. Residential growth and commercial development, which is vital to any rural, suburban or urban community, should be strongly supported and encouraged. But where and how shall this development take place? The challenge is to provide incentives for rebuilding cities and to more efficiently manage land and water resources - encouraging growth and development while maintaining the important economic base of agriculture and the land upon which it depends.

It makes good economic sense to encourage and promote growth where infrastructure is already in place, and it may not be prudent to save all the farmland located in the present rings of rapid development. A better use of Michigan's natural resources would

be to more efficiently utilize and develop those lands not well suited for agriculture while protecting those lands best suited for agricultural production.

One of the conclusions of the Michigan's Environment and Relative Risk Report was that there was an absence of coordinated land use planning in Michigan. Agriculture has felt the impact. Many land use decisions have long lasting consequences and should be given careful consideration. If Michigan's public policy continues to encourage the outwardly expanding rings of development, the impact on productive farmland and agriculture may be even greater in the future. One of the challenges is to create a stable environment favorable for the growth and expansion of a long term agricultural industry in Michigan. This task force has carefully considered these challenges and is presenting recommendations and policy options that will benefit the present and future generations of Michigan residents.

FOOTNOTES:

¹A property three acres or larger, with agricultural products valuing \$150 or more was considered a farm in 1954. The 1959 definition was altered: properties less than 10 acres were counted as farms if the value of agricultural products exceeded \$250, properties more than 10 acres were counted if such products amounted to at least \$50. Since 1974, a property of any size producing \$1,000 yearly is defined as a farm, according to the U.S. Bureau of Census.

²Ruff and Dehlin, *The Suburbanization of Politics*, **Public Policy Advisor**, Public Sector Consultants, June 17, 1994.

³Regional Development Initiative, *The Business as Usual: Trend Future*, Southeastern Michigan Council of Governments, 1991.

⁴Norgaard, *Land in 10 Acre Lots Increasing Rapidly*, **Planning & Zoning News**, August 1994 and Norgaard, *Subdivision Control Act Causes 10+ Acre Land Divisions*, **Planning & Zoning News**, March 1994.

⁵Mark Wyckoff, Planning & Zoning Center,, Inc.

⁶Michigan Resource Inventory System, 1978.

Note: Graphs and figures also appear in the *MSPO Agriculture Trends Working Paper* and the reader should read the MSPO report for further documentation of the trends discussed herein. Graphics reprinted with permission of Planning & Zoning Center, Inc.



III. GUIDING PRINCIPLES FOR PUBLIC POLICY

The task force identified certain principles that should guide public policy concerning farmland protection and the future growth and vitality of Michigan agriculture. These guiding principles should be embodied in public policies at all levels of government.

1. Farmland and farming operations are vital environmental and economic resources to Michigan. Agriculture is the second largest industry in Michigan and is the second most diverse in the nation. Our productive farmland is critical to that economic and environmental resource base and must be valued as important and irreplaceable in land use planning. Once agricultural land is fragmented or converted to other land uses, it is almost impossible to reassemble or convert back.
2. The full economic, environmental and open space benefit of farmland must be recognized by local governmental units rather than considering farmland a holding zone for later development. Communities often do not consider farming as the highest and best use of their agricultural lands.
3. Protection of private property rights, including the right to sell land, must be an important factor in designing farmland protection policies. Farms are often sold for non-farm uses because of the higher development market value. Farmland protection, which may include compensation for development rights, must be financed and supported by the public.
4. The best farmland protection policy and incentive is to provide profitable economic opportunities for farming operations. Government policies should minimize or reduce, not increase, the cost of doing business.
5. Farmers and farm operations must have the protection and freedom to expand or change their operations to remain competitive and profitable in the future. Non-farming residents in rural areas often view agriculture operations as incompatible with their lifestyle. For a farmland protection policy to succeed and for growth in the agriculture industry to occur, farming operations must be given the flexibility to change and grow.
6. There is a direct relationship between the total farm production of crops or products and the ability of the state to attract and retain ancillary agricultural enterprises. If the state cannot protect its agricultural diversity, it will lose economic activity generated by processing and other agriculture-related businesses

to other states or areas.

7. The existence of food processing in Michigan is critical to the stability and growth of agriculture. It is imperative that state policies encourage retention and expansion of agricultural processing.
8. The vast amount of Michigan farmland provides innumerable benefits to the recreation and tourism industry in Michigan. Without a strong agricultural industry in Michigan, important components of Michigan's tourism industry will suffer.
9. Public understanding of and support for agriculture is essential in developing and financing farmland protection programs. The importance of agriculture must be fully realized and valued by the public, not only for food and fiber production, but also because of the watersheds, habitats, view corridors, recreation opportunities, open space and tourism associated with farmland. Programs that enhance environmental stewardship should be based on a partnership between the individual land owner and the public.
10. Public policy should support the planned further development and growth of existing communities and abandoned industrial or residential sites where infrastructure already exists. Green field development often appears cheaper than redeveloping existing sites. This appearance is often inaccurate when the full costs of sprawl are considered.
11. The impact of infrastructure decisions on farmland and farm operations should be fully considered. Construction of new highways and location of sewer and water lines, often subsidized with public funding, drives development, increases farmland assessments and accelerates farmland conversion. The impact on agriculture should be carefully considered during the planning stages of any infrastructure project. Productive farmland must be valued and protected as one of the state's most valuable resources.
12. Coordination of land use planning among governmental units is critical. The state should promote local farmland protection policies with goals, tools, resources and training, incentives and standards, but the application and implementation of land use decisions should be made locally.



IV. POLICY RECOMMENDATIONS AND OPTIONS

Michigan needs to implement a state policy that places a priority on farms, farmland and the agriculture industry. Michigan must provide protection of our critical natural resources that are best suited for agriculture and must ensure an environment in which the agriculture industry can grow and future generations can continue to farm.

The following policy recommendations and options provide voluntary methods and incentives for maintaining land for agricultural production. These recommendations will also enhance the continued vitality of agricultural activity in Michigan, thereby helping to maintain land in agricultural use.

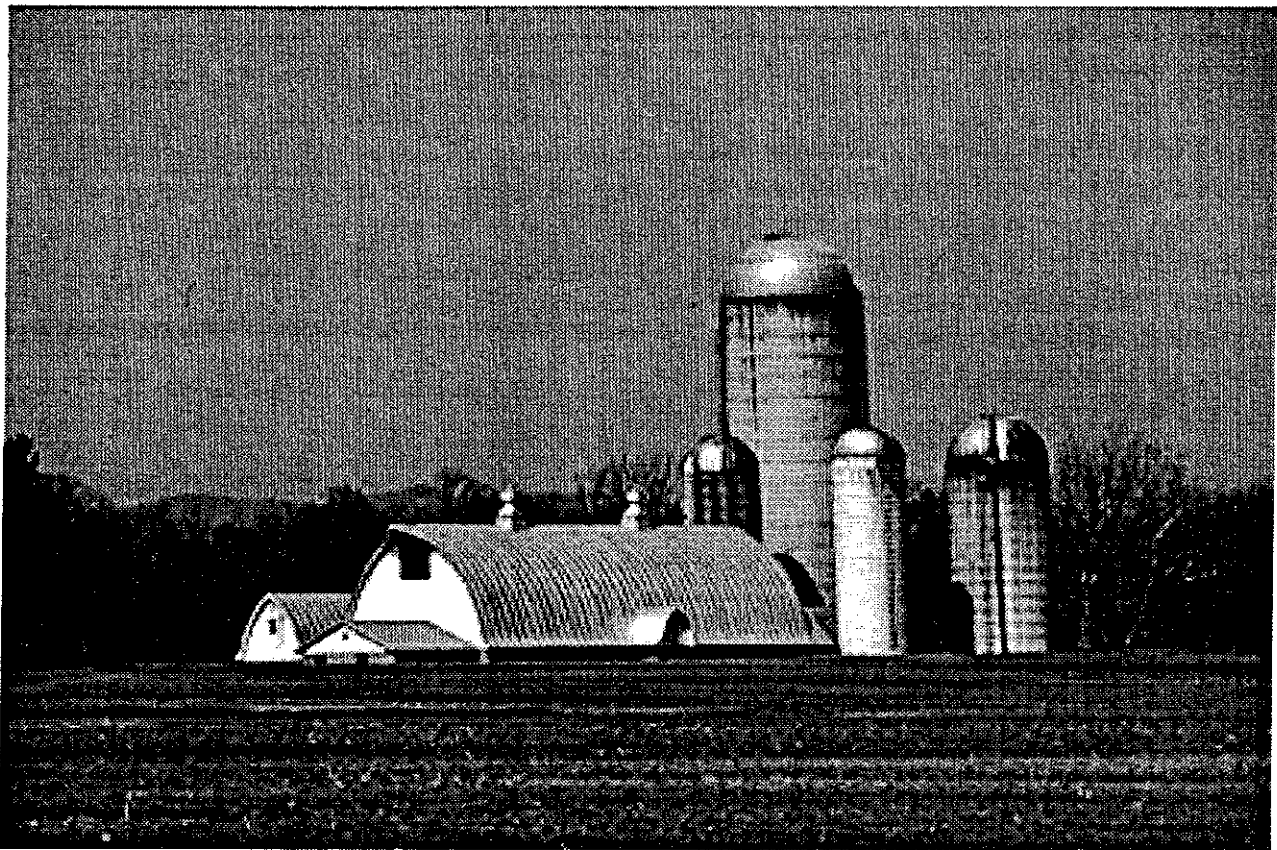
Agriculture, the second largest industry in the state, is important to Michigan and the land base upon which it depends should be protected. Because of our unique land and water resources and diversity of agriculture, Michigan should position itself to be an agriculture leader in the 21st century. These recommendations can be a win-win situation for local economies, for farmers and for non-farmers. Protecting farmland makes good sense for local communities, as the loss of farmland often means the loss of local revenue, income and employment. Farmers benefit from a stable agricultural environment. The non-farm community benefits from the enhanced quality of life resulting from open space, watershed protection, rural character and numerous other benefits provided by farmland. It is important that all levels of government and every stakeholder group work together for the future of agriculture and land use planning in Michigan.

Farmland and farming operations are vital environmental and economic resources in Michigan. Agriculture is the second largest industry in Michigan and is the second most diverse in the nation. Our productive farmland is critical to that economic and environmental resource base and must be valued as important and irreplaceable in land use planning. Once agricultural land is fragmented or converted to other land uses, it is almost impossible to reassemble or convert back.

The vast amount of Michigan farmland provides innumerable benefits to the recreation and tourism industry in Michigan. Without a strong agricultural industry in Michigan, important components of Michigan's tourism industry will suffer.

The policy recommendations and options are grouped according to the following areas:

- A. Michigan Agriculture Protection Plan
- B. Economic Growth of the Agriculture Industry
- C. Incentives for Farmland Protection
- D. Zoning and Infrastructure
- E. Urban Redevelopment
- F. Environmental Stewardship
- G. Mapping, Database and Analysis



A Blueprint for Protecting Michigan's Farmland

Local Communities

1. Agriculture Security Areas, created by local communities at request of farmers.

Benefits to farmers: voluntary, enhanced right to farm, condemnation protection, enhanced property tax benefits, eligible for PDR/TDR programs, environment conducive to long term agriculture

Benefits to local communities: local control, reduced infrastructure and services costs, stabilized land use patterns, preservation of farmland

2. Zoning and planning to protect agriculture, with county and state assistance, training and dollars

County

1. Include agriculture in county economic development plans
2. Establish and operate PDR/easement purchase program in conjunction with state

State

1. Statewide policy focus on farmland protection
2. Strengthen Right to Farm Act
3. Use value taxation for all farms
4. Amend Subdivision Control Act
5. Implement an state program to provide incentives for the local creation of Agriculture Security Areas
6. Create Agriculture Land Condemnation Review Board
 7. Financial and technical assistance to local communities on zoning, planning, ASA, PDR
 8. PDR demonstration projects funded through existing PA 116 lien funds
9. Enable local communities to enact own PDR and TDR programs
10. Create and fund statewide PDR program, implemented at the local level
11. Encourage the redevelopment of cities



A. THE MICHIGAN AGRICULTURE PROTECTION PLAN

Establish Agricultural Security Areas

In considering various policy options, the task force looked at new ways to provide opportunities for the economic growth of the agriculture industry, to provide incentives for farmland protection and to encourage zoning and infrastructure decisions compatible with farmland retention. The concept of establishing "Agricultural Security Areas" is proposed as a way to provide these benefits. The concept of Agricultural Security Areas is a statewide voluntary program enacted at the local level and initiated by farmers. It

There is a direct relationship between the total farm production of crops or products and the ability of the state to attract and retain ancillary agricultural enterprises. If the state cannot protect its agricultural diversity, it will lose economic activity generated by processing and other agriculture-related businesses to other states or areas.

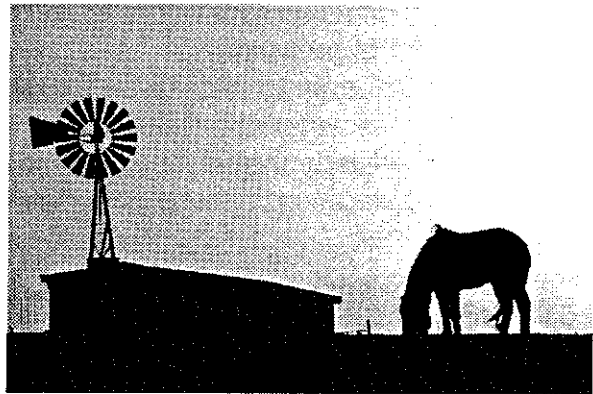
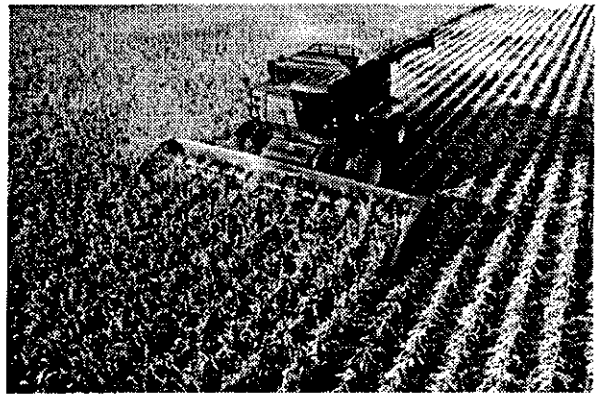
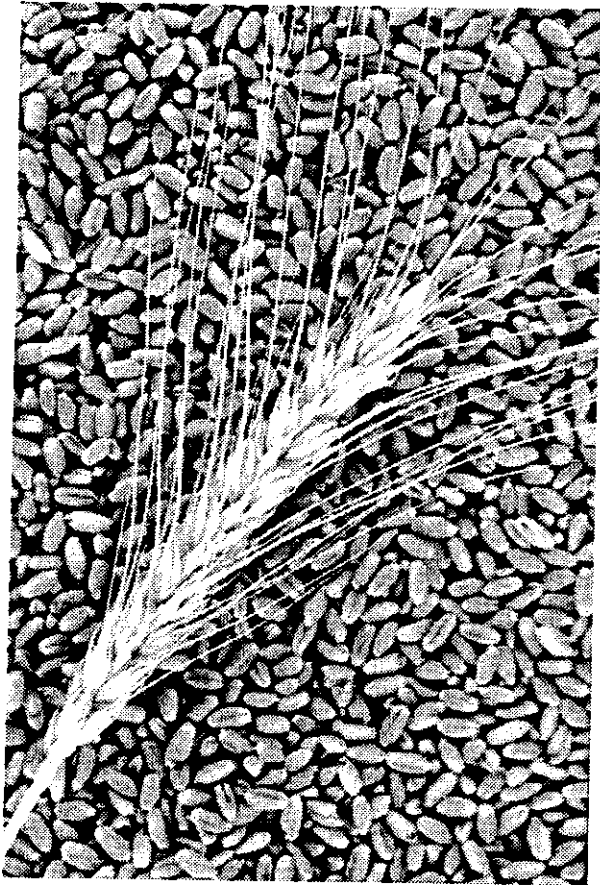
provides benefits both to the agriculture industry and local communities. This concept, in conjunction with the other policy recommendations in this report, serves as a foundation for protecting Michigan's farmland.

Recommendations:

- Establish a state program that would provide communities the opportunity to create Agricultural Security Areas (ASA). The Michigan Department of Agriculture should provide leadership and play a key role in establishing this program. The structure of the program should allow for voluntary participation by landowners and should provide local control and decision-making within state guidelines.
 - Agricultural Security Areas would be established when owners of agricultural land petition local townships and municipalities.
 - A minimum amount of acreage would be required, but the acreage may be owned by several landowners and may or may not be contiguous.
 - Townships could create an ASA after a public hearing and additional land may be added to the ASA at any time. If the local governing body does not decide within 180 days, the ASA is automatically created.

- Provide incentives for landowners to enroll in an Agricultural Security Area.
 - Provide protection from local laws or ordinances that would unreasonably restrict farm operations in the area. A farm or farm operation should also have an enhanced legal defense against nuisance suits under the Right-to-Farm Act if it was included in an ASA.
 - Exempt landowners from - or substantially reduce - property taxes on new farm building and land improvements that are made while enrolled in an ASA (for example, new migrant housing, pesticide storage facilities, livestock facilities, grain storage, etc.).
 - Exempt landowners whose land is enrolled in an ASA from taxes for special assessments for services and utilities that do not directly benefit the landowners. Exempt landowners from assessments for the cost of installing sewer and water lines if they are not required to hook up. Assessment should be done by hook-up only, not according to road frontage for land enrolled in an ASA.
 - Provide protection for farmland enrolled in an ASA from land condemnation and eminent domain actions by government agencies. Condemnation of land within an ASA must be reviewed and approved by an Agricultural Land Condemnation Review Board.
 - Landowners enrolled in an ASA would be eligible to participate in a transfer of development rights program or a state-funded purchase of development rights program.
 - Farmers would be eligible for greater state cost-share funding of environmental stewardship improvements.
 - Farmers should be allowed to construct a limited number of additional residences for use by family members or as part of the farm operation.
- Provide incentives to communities to establish Agricultural Security Areas.
 - Communities would inherently benefit from retained farmland and greater land use stabilization (lower infrastructure costs, enhanced rural character and numerous other environmental benefits).
 - Access to greater technical assistance and state funding for land use planning.
 - Provide greater state legal assistance to communities that establish an ASA.
 - Grant local governing bodies the authority to create a Tax Increment Financing Area to help fund local portions of a purchase of development rights program.
- Provide protection of farmland at the local level

- A conservation or development easement would be placed on the property for a period of 10, 15 or more years. Protection of farmland could also be accomplished through zoning that would restrict development accordingly in an ASA.





B. ECONOMIC GROWTH OF THE AGRICULTURE INDUSTRY

1. Institute additional tax reforms and use-value assessment

The passage of proposal A has provided much-needed property tax relief for homeowners, farmers and businesses. Before passage of proposal A, Michigan property tax rates on farmland (rate per \$100 of market value) were the highest in the nation in 1992, according to the Economic Research Service of the USDA. PA 116, the Farmland and Open Space Preservation Act, has provided additional tax relief for some farmland owners.

The best farmland protection policy and incentive is to provide profitable economic opportunities for farming operations. Government policies should minimize or reduce, not increase, the cost of doing business.

While residential property tax rates may now be nearer the national average, Michigan farmland property tax rates (rate per \$100 of market value) still rank as the fourth highest, assuming a 50 percent reduction with proposal A. Many other states calculate farm assessment values according to agricultural use and not according to highest and best use (developmental value). Studies conducted by American Farmland Trust in other states, many of which have use-value assessment, have demonstrated that property tax revenues generated by farmland exceed the cost for services required by farmland. The proposal A cap on assessment increases provided some relief, but many landowners have complained that current assessment values have not been fairly determined.

Recommendations:

- Base property tax assessments for all property on current use, not the highest and best use. State standards should be established for determining use value assessment on all property, including agricultural and forest lands.
- Farms should be assessed according to their agricultural use rather than according to their development value or potential. The state should make the adoption of this practice revenue neutral to townships. A tax roll-back or recapture measure should be provided in the event of a change in land use. Pennsylvania, for example, keeps a record of "use-value" assessment values and "highest and best use" assessment values. If farmland is converted to development, the land owner must then repay the taxes based upon its higher assessment value for the previous seven years. State

programs that lack this roll-back provision have been criticized for the benefits they have provided real estate speculators.

- When determining estate values for inheritance tax purposes, calculate farm property values according to agricultural use and not highest and best use.
 - If the farmland is converted to another use within seven years, a penalty could be assessed. For example, the heirs could then be liable for inheritance taxes, plus interest, based on the prevailing market value. The step-up in basis would only be equal to the initial use-value assessment.

2. Strengthen Michigan's Right-to-Farm Act

Non-farming residents in rural areas often view agriculture operations as incompatible with their lifestyle. Non-farming residents often move to agricultural areas to enjoy the rural character only to later object to farm operations and the associated noise, odors, dust, late field hours and roadway movement of equipment. As the number of non-farm residents increases, the pressure on existing farms greatly increases as well. This potential farm - non-farm land use conflict is a large concern for farmers. Michigan's Right-to-Farm Act has provided farmers with protection against public and private nuisance suits, but the act should be strengthened further.

Farmers and farm operations must have the protection and freedom to expand or change their operations to remain competitive and profitable in the future. For a farmland protection policy to succeed and for growth in the agriculture industry to occur, farming operations must be given the flexibility to change and grow.

Recommendations:

- Amend and strengthen the Michigan Right-to-Farm Act by clarifying definitions of a commercial farm, farm products and a farm operation.
- Ensure farmers have the flexibility and protection under the Michigan Right-to-Farm Act to change a farming operation.
- Grant the farmer the opportunity to recover associated legal fees when a nuisance suit is ruled in favor of the farmer.
- Add an informational statement to the real estate disclosure form informing home

buyers that farm operations are afforded protection from nuisance suits under the Right-to-Farm Act.

3. Provide support to the agriculture processing industry

The diversity of agriculture in Michigan is directly dependent on agricultural processors. These processors create market opportunities for farmers to grow various commodities and add value to locally grown products, benefiting local farmers. In addition, these processors benefit the local economy and create jobs. If Michigan's business climate fails to retain or attract agricultural processors, local communities and farmers will suffer the consequences.

The existence of food processing in Michigan is critical to the stability and growth of agriculture. It is imperative that state policies encourage retention and expansion of agricultural processing in this state.

Recommendations:

- Grant agriculture processors "right to process" protection from nuisance suits.
- Continue to streamline the regulatory and permitting processes to minimize the regulatory costs and burdens on all businesses, including agricultural processors. The process for permits for access and/or disposal of water (NPDES permits) should be simplified.
- Continue to reform the business tax structure and regulatory climate to ensure Michigan's competitiveness in attracting and retaining processors and value added industries.
- Ensure that load limit laws allow farmers to transport perishable agricultural commodities to market when frost laws are in effect.

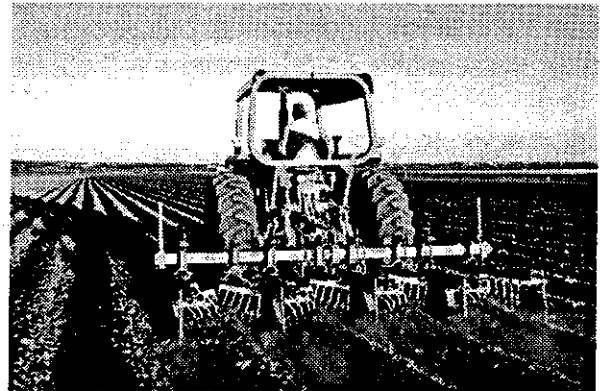
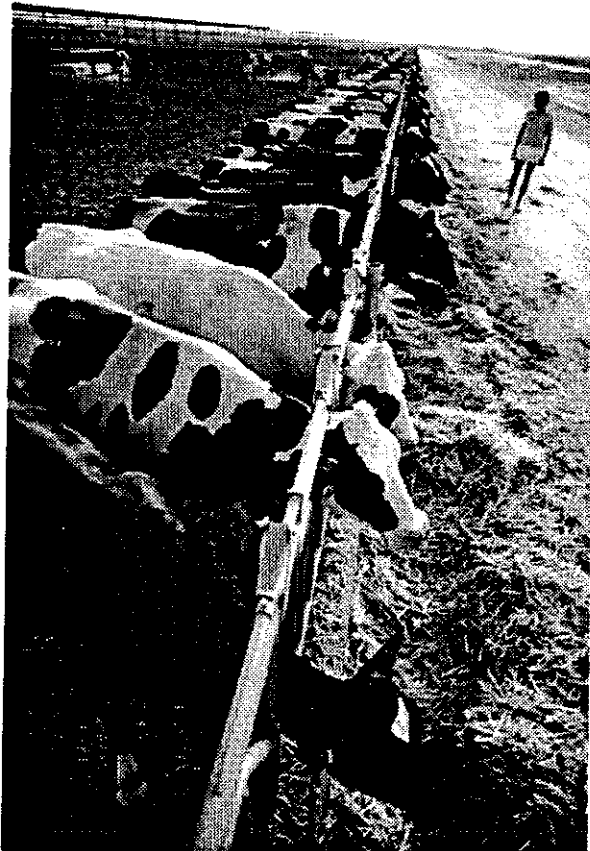
4. Promote programs assisting young farmers

The continuity of agriculture depends on the next generation of farmers. The young farmers and agricultural leaders will become the backbone of agriculture years down the road. It can be difficult for beginning young farmers to enter farming due to the large capital investments and financial expenditures required for farming. Other career prospects and lifestyles may appear more lucrative and attractive. The average age of Michigan farmers has reached an all-time high of 52. From 1982 to 1992, the number

of farmers over 65 increased 7 percent while the number of farmers under 35 decreased 55 percent. Michigan needs to encourage and cultivate young farmers and agricultural leaders.

Recommendations:

- The Michigan Department of Agriculture, Michigan State University and Michigan Farm Bureau should continue to provide educational and technical assistance for beginning farmers and help connect beginning young farmers with older retiring farmers.





C. INCENTIVES FOR FARMLAND PROTECTION

1. **Provide enabling legislation for tools that allow farmers to realize part of their property value without having to sell their land.**

One of the few tools that can preserve farmland for the long term or in perpetuity is the purchase or transfer of development rights. Under a purchase of development rights program, the landowner is compensated for the development rights--the difference between current market or development value and the agricultural value of the land -- in exchange for a conservation easement on the property prohibiting future development. Under a transfer of development rights program, a free-market "development rights bank" would be created. Landowners in areas with a strong agricultural future would be able to sell their development rights to a developer who would be able to transfer them to another community area where growth and development is desired and planned for. Both options provide protection of private property rights and long-term protection of farmland. These are explained in more detail in Appendix D.

Protection of private property rights, including the right to sell land, must be an important factor in designing farmland protection policies. Farms are often sold for non-farm uses because of the higher development market value. Farmland protection, which may include compensation for development rights, must be financed and supported by the public.

Recommendations:

- Pass enabling legislation clearly granting authority to townships, cities, villages and counties to proceed with purchase of development rights and transfer of development rights.
- Wherever feasible and appropriate, counties and/or townships should be encouraged to utilize a transfer of development rights program. Development rights should be permitted to transfer across municipal boundaries into villages and cities (where adequate infrastructure services are often available). This creation of development rights transfers at a local level would allow the free market transfer of development units from agricultural areas to other areas. Counties and townships should also be encouraged to consider a purchase of development rights program - like the one recently adopted by the voters of Peninsula Township in Grand

Traverse County - as a farmland protection tool.

2. Use PA 116 lien fund for purchase of development rights demonstration projects.

When PA 116 contracts are released from the program or expire, landowners are required to pay back all credits received in the last seven years. The current fund has approximately \$10 million. These funds are currently used to purchase the development rights on land deemed to be unique or critical and worthy of being preserved in its existing state. The funds have been used to purchase development rights on a farm in the Traverse City area. The Michigan Natural Resources Trust Fund is already available to purchase development rights.

Recommendations:

- Use the existing PA 116 recapture lien fund for demonstration projects that purchase developments rights on farmland. These funds should be used to purchase development rights on farmland that also provides critical watershed protection or meets other criteria of unique and critical lands.

3. Create and fund a state purchase of development rights program, implemented at the local level

Many productive agricultural areas are experiencing rapid growth and development, which is driving up land values. Neighboring farmers or beginning young farmers often cannot afford to compete with the higher land values being offered by development in certain areas. As a result, farmland is sold for non-agricultural purposes.

Other states and counties in other states have passed bond referendums or created other funding sources (restaurant meals tax, development or land conversion tax, property transfer tax, cigarette tax, food sales tax) to create and fund a purchase of development rights program. These programs have passed with voter approval and large support from the non-farm community and urban residents. They also have waiting lists of farmers interested in participating. Michigan's Peninsula Township was one of the few townships in the nation to initiate its own PDR program, funded by a 1.25-mill property tax increase.

Recommendations:

- Create a statewide purchase of development rights program, implemented at the local level, and establish a dedicated revenue source for its long-term funding.
- The PDR program would be administered at the county level, with additional

matching funds available to those counties providing additional funding of their own.

- Eligibility of farms would be determined locally and chosen by a county agricultural PDR board, in accordance with state guidelines.
- Participation by farmers would be on a voluntary basis, and farms would have to be enrolled in an Agricultural Security Area to receive state funds.
- The formula for the distribution of funds would target priority areas, taking into account development pressure and the agricultural capacity of the land (climate, soils, diversity of crops, etc).





D. ZONING AND INFRASTRUCTURE

1. Include agriculture in all aspects of local planning

Agriculture provides many economic benefits to local communities as the second largest industry in the state. However, farmland is often viewed as the location of future development and the economic or environmental importance is often not fully considered. All communities should fully consider the importance of agriculture to their community and should incorporate agriculture in the plan for long-term economic development.

The full economic, environmental and open space benefit of farmland must be recognized by local governmental units rather than considering farmland a holding zone for later development. Communities often do not consider farming as the highest and best use of their agricultural lands.

Recommendations:

- Require agriculture to be included in community master plans, county economic development plans and in all aspects of local planning and zoning, if farmland exists within the community.
 - The contribution of agricultural sales, support services, food processing and employment to the local economy should be determined. In addition, the cost of community services versus the generation of tax revenue should be calculated for farmland. The long term fiscal impacts of development and the cost of land conversion should be fully recognized by local communities.
- Integrated and coordinated land use planning needs to be developed at all levels of government, especially between local jurisdictions.
- Members of the farm community should be encouraged to become actively involved in all aspects of government, especially at the local level.

2. Encourage greater use of effective zoning tools to better utilize land resources

There are many effective zoning tools already available that would help reduce the conversion of productive agricultural land while creating desirable communities. Many local communities lack the resources to adequately implement these effective zoning tools. Some of those needs could be met through a comprehensive education effort targeted to local planning officials. Many communities do not utilize effective zoning tools because of the possibility of legal battles with large developers. Other communities attempt to control growth by using large lot size ordinances, which can quickly accelerate conversion of productive farmland.

Coordination of land use planning among governmental units is critical. The state should promote local farmland protection policies with goals, tools, resources and training, incentives and standards, but the application and implementation of land use decisions should be made locally.

Recommendations:

- The state should arrange for greater technical assistance, education and expertise to planning officials at the local level.
- The state should pay for an annual educational workshop (conducted regionally) on land use planning and zoning, and appointed and elected members of local boards and planning commissions should participate.
 - These workshops could be conducted regionally or by satellite at remote locations and coordinated by Michigan State University, Michigan Society of Planning Officials, Michigan Townships Associations, Michigan Association of Counties, Michigan Municipal League as well as other organizations.
- Local communities should have clearer authority to utilize existing zoning tools to help protect farms and farm operations and to more wisely utilize our land resources.
 - Cluster housing and open space protection could be utilized, especially when productive agricultural land is being developed. As an incentive to protect open space, a density bonus could be granted if the houses are clustered. Other agencies (such as the state health department) should be encouraged to cooperate with local communities in establishing cluster developments.
 - Buffer zones could be utilized when larger developments are located adjacent to agricultural land or operations.

- Whenever possible, an attempt should be made to reduce population density in productive agricultural areas to minimize the impact upon farming operations. Quarter/quarter zoning and sliding scale lot sizes could be utilized to help reduce density in agricultural areas.
- These and other zoning tools are explained in more detail in Appendix E.
- Ordinances requiring each lot to be a minimum of five or 10 acres (or larger) in size should be avoided when land resources important to agriculture or forestry are concerned.
 - Large lot size ordinances only accelerate land consumption and do not slow growth. Communities should consider minimum lot size ordinances that do not exceed two acres in size. If communities want to control growth, cluster housing should be utilized in conjunction with a restriction on housing density.
- Local communities should be given adequate legal protection in zoning enabling legislation and/or access to a legal defense fund (when using the above measures).

3. Amend the Subdivision Control Act

Recent research has linked the Subdivision Control Act of 1967 with accelerating rates of land fragmentation in rural areas (see section II). The number of unplatted lots and the acreage of lots increased three times in representative sample townships from 1960 to 1990. The SCA allows the subdivision of land, without having to go through the platting process, into four lots with 10 acres or less within a 10-year period, with the remaining land divisions consisting of more than 10 acres in size. Ten years later, the 10+ acre parcels could be subdivided once again. The SCA's definition of subdivision has created an incentive to develop unplatted lots exceeding 10 acres in size. The SCA must be amended to correct the existing land fragmentation and accelerated land conversion.

Recommendations:

- Change the platting process to reduce the cost, time and bureaucracy in platting.
 - State agencies must be adequately staffed and funded to quickly respond to requests. The time frame for approval could be reduced by changing the review process from a sequential to a concurrent review process among agencies.

- Change the definition of subdivision to prevent the SCA's creation of 10+ acre lots and subsequent subdivision 10 years later.
- One option would be to only allow one residential parcel, not be more than two acres in size per 40 acres, with a width to depth ratio of 1:1. For each multiple of 40 acres, a landowner would be allowed an additional housing unit, but these must be clustered together and adjoining. The 10+ acre lot and the 10-year provision should be eliminated. All other land divisions for non-agricultural purposes would still go through the existing local public review and land division process.

4. Utilize agricultural impact assessments

New infrastructure or development projects can have a major impact on farmland. New highways and roads are sometimes routed through productive farmland. This can pave under productive farmland as well as impact remaining agricultural operations. New highways and roads often attract and make it easier for new residents to locate in a previously rural area. Likewise, the planning of sewer and water lines often dictates where development will occur. If possible, infrastructure and development should be designed to have a minimal impact on nearby agricultural operations and utilize lands that would be marginal for agricultural production. The impact of new infrastructure and development upon agriculture must be fully considered during the planning process.

The impact of infrastructure decisions on farmland and farm operations should be fully considered. Construction of new highways and location of sewer and water lines, often subsidized with public funding, drives development, increases farmland assessments and accelerates farmland conversion. The impact on agriculture should be carefully considered during the planning stages of any infrastructure project. Productive farmland must be valued and protected as one of the state's most valuable resources.

Recommendations:

- Upgrade the priority placed on protecting productive agricultural lands and avoid productive agricultural land when determining infrastructure and development locations.
- The highest priority should be placed on farmland protected with a conservation easement and should be given a status similar to wetlands, sand dunes and the protected 4F federal highway classification applied to public lands, parks, historical sites, etc. Next on the priority list should be

farmland in Agricultural Security Areas. Priority should also be placed on productive farmland classified prime and unique by the Soil Conservation Service and productive farmland zoned for agriculture.

- Require an agricultural impact assessment for all state-funded or state-approved projects.
 - The Michigan Department of Agriculture should be involved to ensure that all options are being considered to minimize the impact on productive farmland and farming operations. An Agricultural Land Review Board should be created to review all state-funded and approved projects that would condemn farmland. The impact, including subsequent development, on agriculture should be carefully considered in the planning of any new roads, sewers or utilities.
- Local communities should consider requiring the submission of an agricultural impact statement by developers regarding the impact of private development projects on local agriculture.
 - The statement would briefly describe the recent agricultural use of the land, if any, the soil type, any existing agriculture in the surrounding area and what impact the development might have on those farm operations. Local planning officials could then consider the information as they deemed appropriate.



E. URBAN REDEVELOPMENT

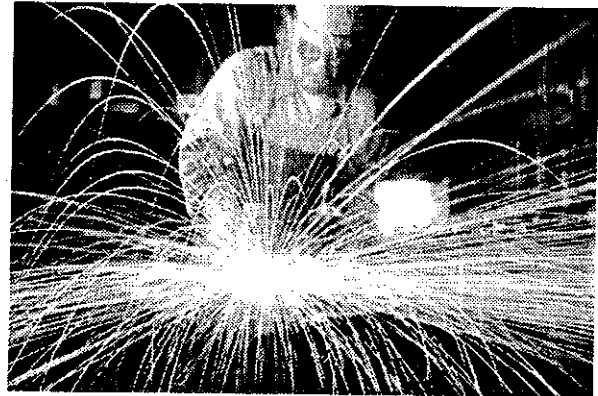
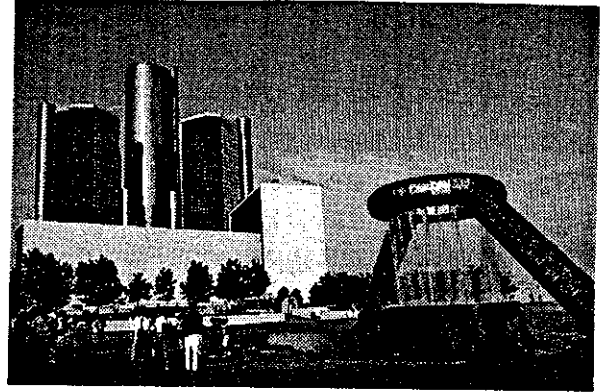
Michigan has observed a mass migration from its urban cores to surrounding rings of suburban development that often occurs on productive farmland. During a 35-year period, close to 1 million people left Detroit. The number of suburbanites in southeast Michigan is now three times greater than the number of Detroit residents. This mass migration has increased suburban pressures on rural communities and agricultural operations. The pressure on farmland and agriculture would be less if the urban cores could be rebuilt and redeveloped. Public policy must encourage and foster the redevelopment of our cities.

Public policy should support the planned further development and growth of existing communities and abandoned industrial or residential sites where infrastructure already exists. Green field development often appears cheaper than redeveloping existing sites. This appearance is often inaccurate when the full costs of sprawl are considered.

Recommendations:

- Streamline the regulatory and decision making process for cleanup and building permits for abandoned industrial sites.
- Optimize the effectiveness of a land use base approach for conducting cleanup and implementation of cleanup standards for industrial sites that reflect the reduced human exposures that occur at these sites as compared to residential properties.
- Provide new developers and lenders interested in redeveloping contaminated sites liability protection concerning the existing contamination problem.
- Provide businesses interested in locating in cities competitive tax rates.
- Improve the urban land assembly process to allow greater utilization of abandoned parcels.
- Promote other programs which improve the quality of urban life.

- This might include the creation and preservation of green space or parks in urban areas in addition to reducing the concern over crime. Our cities need innovative and creative community programs that will retain and attract businesses and residents.





F. ENVIRONMENTAL STEWARDSHIP

1. Encourage partnerships to enhance environmental stewardship

Michigan Department of Agriculture, Michigan Department of Natural Resources, Michigan State University and the agricultural community should work together in developing an alternative approach to environmental stewardship addressing agricultural nonpoint source pollution concerns. This watershed-based approach should encourage partnerships between residents, farmers and other stake holders to solve local watershed issues and should minimize the need for state or federal regulation (such as the Coastal Zone Management Act). The scope, causes and consequences differ between watersheds, and each farm within a watershed has different characteristics. A state-wide blanket approach should not be encouraged or recommended. It is important that concerns over nonpoint source pollution be validated with scientific data for each watershed to identify the scope and nature of the problem. Education of all stake holders should be an important aspect of the program.

The importance of agriculture must be fully realized and valued by the public, not only for food and fiber production, but also because of the watersheds, habitats, view corridors, recreation opportunities, open space and tourism associated with farmlands. Programs that enhance environmental stewardship should be based on a partnership between the individual landowner and the public. The cost of enhanced environmental stewardship should be shared by the public as well.

Recommendations:

- An alternative approach to environmental stewardship should target priority watersheds and priority farms within a watershed.
- The program and environmental stewardship practices should be tailored to individual farms.
- Within priority watersheds, farms that could provide a greater environmental benefit should be targeted for cost-share assistance or provided with incentives to implement stewardship practices.

- Farms enrolled in Agricultural Security Areas could be eligible for cost-share funding to implement environmental stewardship practices. If farmers are enrolled in a state funded Purchase of Development Rights Program and an approved environmental stewardship plan is required, then farmers should be accordingly provided a higher degree of environmental liability protection.
- All environmental practices should be unified, and only one entity should be ultimately responsible for agricultural environmental stewardship.
 - Currently, stewardship practices are not unified because various agencies each have their own set. Also, farmers must deal with environmental regulations from multiple departments or agencies. A program addressing agricultural nonpoint source pollution should be unified within one department.
- Successful programs that compensate landowners for protection of environmentally sensitive areas, such as the Conservation Reserve Program, should be supported and continued.

2. Provide incentives for environmental stewardship and development of new technologies

Much progress has been made in developing new technology and methods for pest management and handling of animal manure. The state should continue to promote programs and research that will allow farmers to achieve even greater environmental stewardship.

Recommendations:

- Support programs that develop and implement new technology and methods of farming, such as on-farm demonstrations of sustainable farming systems and integrated pest management.
- Encourage and support research that would provide new technology and solutions to animal manure handling and pesticide application.
- The state should encourage the federal government to streamline procedures for the re-registration of pesticides, especially for the registration of minor crop specialty use pesticides.

3. Prioritize protection of wetlands

Wetlands provide important watershed protection and wildlife habitat. However, not all wetlands have the same characteristics or the same environmental importance. Public policy should continue to provide incentives for wetlands protection taking wetlands variability into account.

Recommendations:

- Wetlands should be classified and prioritized as to their individual role, importance and size, and a wetlands protection and mitigation policy should take this into account.
- Programs that compensate landowners for wetlands protection, such as the Wetlands Reserve Program, should be continued and expanded.
- The conversion of productive farmland into wetlands, resulting from mitigation proceedings, should be minimized.
 - Proposed constructed wetlands should be located, whenever possible, where they can provide the most benefit and function, such as a drainage basin for surface runoff before it enters a stream.
- Wetlands should not be assessed or taxed at the same rate as land used for residential, commercial, industrial or agricultural purposes.
- Wetlands necessary for production of agricultural commodities should be recognized as such and production should be allowed.



G. MAPPING, DATABASE AND ANALYSIS

The *MSPO Trend Future Report* provides valuable information on current trends and future implications of those trends if they continue. However, one of the largest obstacles has been collecting data that would be useful for determining changing land use patterns. It is imperative that the data bases be updated and maintained.

Recommendations:

- Fully fund the Michigan Resource Inventory System through state and private funding with a one- to two- year deadline to update the current 1978 data base to 95 land cover/use data and to generate change maps by December 1996.
- Update aerial photography maps for the entire state on a scheduled five year basis to correspond with the U.S. Census and mid-decade. Use these photos as the basis for future MiRIS updates.
- Complete Soil Conservation Service mapping of prime and unique lands.
- Generate existing productive farmland and critical agricultural land maps for each county and prepare change maps every five years.
- Require the Treasury Department to ensure all local governments complete the number of parcels by tax class information on form L-4023 (required to be submitted annually) and to retain this form at the minor civil division (MCD) level indefinitely, rather than the current seven years.
- Develop and implement a cost-sharing program with counties to digitize and maintain in computer readable fashion parcel maps of all parcels in Michigan.

Appendix A: Executive Order 1994-4



STATE OF MICHIGAN
OFFICE OF THE GOVERNOR

JOHN ENGLER
GOVERNOR

EXECUTIVE ORDER No. 1994 - 4

MICHIGAN FARMLAND AND AGRICULTURAL DEVELOPMENT TASK FORCE

WHEREAS, agricultural production, input, processing and marketing generate over \$37 billion in economic activity in Michigan; and

WHEREAS, Michigan's 56,000 farms are the heart of this vitally important economic, social and cultural sector of our state; and

WHEREAS, Michigan has the second most diverse agricultural economy in the United States, producing over 50 different agricultural commodities; and

WHEREAS, Michigan has an abundance of water resources, advantageous climate and superior soil types which allow farmers of this state to efficiently and productively produce food for our state, country and the world; and

WHEREAS, increased urbanization, government policies and environmental trends are leading to more pressure upon agricultural land; and

WHEREAS, the Michigan Relative Risk Analysis Project identified land development issues as one of the most significant environmental challenge facing our state; and

WHEREAS, Michigan farmers are the stewards of more land than any other group in the state -- managing these natural resources to make a living and feed and clothe our citizenry while maintaining wildlife and providing open space.

NOW, THEREFORE, I, John Engler, Governor of the State of Michigan, pursuant to the powers vested in me by the Constitution of the State of Michigan of 1963 and the laws of the State of Michigan, do hereby establish the Michigan Farmland and Agricultural Development Task Force (the "Task Force").

1. The Task Force is charged with the following responsibilities:

a. identify trends, causes and consequences of conversion of agricultural land to non-agricultural uses;

b. identify voluntary methods and incentives for maintaining land for agricultural production; and

c. provide recommendations for enhancing the continued vitality of agricultural activity and protecting private property rights, thereby retaining land in agricultural use.

2. The Governor shall appoint the members of the Task Force, as necessary, and such members shall serve at the pleasure of the Governor. The Governor shall appoint one member of the Task Force as chairperson who shall serve as chairperson at the pleasure of the Governor. The Task Force shall be composed of representatives of the following groups: agriculture, environmental, academia, local government, business, and any other interests or members as the Governor deems necessary.

3. All state departments, agencies, boards, commissions, or officers of the state shall cooperate and provide any necessary assistance required by the Task Force, or any member or representative thereof, in the performance of its duties. This shall include free access to any books, records, or documents in the custody of the department, agency, board, commission, or officer that is within the scope of the inquiry, study, or review of the Task Force.

4. No compensation shall be provided to members for their services on this Task Force.

5. The Task Force shall be staffed by the American Farmland Trust, with assistance from the Michigan Department of Agriculture, the Michigan Department of Natural Resources, governmental agencies, public, and private organizations as requested by the Task Force.

6. The Task Force shall complete its work and issue a final report and recommendations by December 1, 1994.

The provisions of this Executive Order shall become effective immediately.

Given under my hand and the Great Seal of the State of Michigan this 4th day of February, in the Year of our Lord, One Thousand Nine Hundred Ninety-Four, and of the Commonwealth, One Hundred Fifty-Eight.



GOVERNOR

BY THE GOVERNOR:

Filed with Secretary of State
on 2-4-94 at 3:44 p.m.

SECRETARY OF STATE

Appendix B: Brief Summary of Public Comments

Public hearings were held in Grand Rapids, Traverse City and Novi, fifty to 75 people attended each hearing. Several themes, use value assessment, stronger right-to-farm protection, need to protect farmland, and assistance to townships, were mentioned by numerous individuals. A very general and brief one sentence summary of the public comments are included. These are only representative statements that have been grouped according to general topics. We apologize if some comments were unintentionally overlooked.

There is a short-term land consumption without consideration for the long-term consequences. There is a false idea that parcel by parcel conversion has minimal impact and does not have a big effect on the big picture. However, the cumulative effect of these individual decisions can have a big impact. Farmland lost will accelerate in the future if we don't consider land use now.

Need to have redevelopment in older urban areas to help slow the mass exodus, and we need more compact development.

Need to consider regional approaches rather than a blanket statewide approach. Need to have more regional coordination of land use decisions. Land use decisions must be made at the local level.

Protection of private property rights must be included in any farmland protection program.

Local townships often consider agriculture to be the best use of land. Need to have a greater value and priority placed on farmland. Agriculture is important to economics, tax base, character, lifestyle and community living. Agriculture has many products to offer in addition to the traditional agricultural commodities, including open space, watershed protection, wildlife habitat and many other environmental benefits. Need to sell importance of good agricultural land for future generations.

Education and resource assistance to local townships is essential. Legal assistance is important when changing zoning. Planners are not well equipped, and change often takes too long. Local township officials should have some training and education courses. Local community officials are not familiar with agriculture and can be unreasonable when writing regulations. Local townships often copy other townships without any real consideration of agriculture or proper education of land use planning. Townships often redistrict or rezone without adequate notification and input by farmers. Local township zoning often is changed without regard to use of land.

Zoning has helped control development in prime viewsheds but has been very limited in effectiveness - zoning and planning, as it is structured now, will not stop development of

prime farmland. Need to change Subdivision Control Act - perhaps to sliding scale.

Size of lots have increased over the years - need to have better utilization of our natural resources. Large lot sizes and low density is not the wise use of land - large lots waste land that could be kept in production, low density wastes land good for residential purposes. If development is to take place, then efficiently use the land for building - lot sizes greater than an acre are rarely wanted by the public, and large lot sizes do not slow development.

Local government policies and regulations are burdensome and sometimes prohibitive to agriculture. Some farm operations have been banned by local township ordinance because they were not traditional agriculture. One farm raised fish, waterlilies and pheasants and also had a school on farming techniques. Nontraditional agriculture is often not accepted by municipalities. Need to include horses in agriculture. Many communities exclude horses in their zoning.

PDR and TDR can be helpful to keep farmland - don't just rely on market forces and the status quo. Need to give serious consideration to a statewide PDR program. PDR is a great option for the township (keeps density lower, property taxes lower) and for the farmer (reduced assessed value). Utilize TDR as a free market program that allows the developer to pay for farmland protection. Very few farmers will preserve land on their own because farmers will cash in on the higher development market prices.

Farmland should be given top priority for use of PA116 funds. Tax liens should be used exclusively for purchase of development rights on agricultural land, as there is no other source.

Need methods other than PA 116 to preserve land around urban areas and protect our unique microclimates. Don't abandon PA 116, but perhaps add other incentives to it. PA 116 has been helpful but needs to be upgraded.

Property values are assessed at highest value rather than its use - even if it is in PA116. Use value assessment is badly needed. Property taxes have increased faster than agricultural sales have increased. Property assessments continue to increase based on non-agricultural assessments.

Farmers cannot farm without farm neighbors. Need to preserve large ag areas. Without the preservation of large ag areas, farmers can't get needed support services and residential complaints increase. Need to give farmers an environment that encourages farming. Need to have ag districts but these must be accepted by statewide public approval. Size of agriculture in area draws service and processing industry. Neighbors need to be notified of acceptable farming practices to avoid complaints.

Non-farm uses have driven up land values. We are losing farmland because low farm profitability cannot compete with prices paid by developers. Farmers' land is often their

retirement fund, and they want the option to sell land at higher prices. Preserve the farm by making it profitable rather than just preserving the land. Current policy favors a cheap food policy and expansion of housing in rural areas. Must have economically viable agriculture and public must be willing to pay - in US 11 percent of income goes to food, in developing countries - 37 percent of income. Farmers must have a profit motive, keep costs down and maintain a market for their crops. Economics of farming must keep agriculture profitable, not the government. Government regulation is often the farmer's biggest concern and burden. Currently, over-production lowers farm prices.

Michigan Department of Transportation often does not place a priority on agricultural land when building or locating new roads. On the Petosky bypass - many have felt that their concerns over the bypass going through the main prime farmland belt in Emmet County have not been adequately heard by MDOT. MDOT bypass options would utilize prime farmland and not allow access for farmers to cross over, fragmenting many farms.

As farms become larger, there is a greater problem of selling them and making a generational transaction. Younger farmers often cannot handle the large capital requirements. Need to keep young farmers going and to help them start out. Twenty other states have programs to assist young farmers and link them with older farmers. Michigan's F.H.A. does not actively promote its beginning young farmer program.

Sustainable agriculture is compatible with both residential neighbors and with farmers. It is an alternative for larger farmers and can be a key for future farm operations. Research and funding needs to be continued for alternative methods of farming, which will also increase the profitability of farming.

Need to update Michigan Resource Information System. Need to have a map of prime farmland so farmland could be made a priority in planning.

Development is also steered away from marginal wetlands to prime farmland. Put wetlands in key drainage areas. Give farmland a natural resource priority similar to wetlands.

Historic farms and barns are an important aspect of farmland preservation.

Let current market forces determine where and how growth occurs.

Appendix C: Brief Summary of Historical Agriculture Documents

In 1935, *A Study of Michigan*, conducted by administration officials under Gov. Comstock and Fitzgerald, outlined a series of land use inventories, including demography, physical features, water resources, infrastructure and other state resources. The document called for a State Planning Commission to guide surveys, management of recreation and conservation planning, and issue policy recommendations for local planning activities.

In 1946, the Agricultural Advisory Committee of the Michigan Planning Commission released a report entitled *Michigan's Major Agricultural Problems with Suggested Solutions*. Immediate problems to be faced involved developing a suitable agricultural policy, efficient production of the state's farm operations and a continuation of land inventory programs. Also addressed were a series of issues called "problems of rural-fringe communities," such as local zoning and planning mechanisms for addressing land use conflicts and governmental responsibility for administration of policy in fringe areas. In particular, the report called for research of practical solutions to problems caused when such expanding fringe areas are not controlled, as well as study of the effect such fringe areas have on taxation of adjoining farmland.

In 1970, Gov. Milliken's Task Force on the Future of Agriculture reported that Michigan is currently in danger of losing much of its prime agricultural land to urban sprawl and the residential, industrial and commercial development that accompanies it. A report in 1974 to Gov. Milliken by Michigan Department of Natural Resources concluded that many land use conflicts, including those leading to the loss of agricultural lands, supported a state land use planning policy that classified various land characteristics, identified "irreplaceable agricultural lands," guided development activity and provided tax incentives to preserve farmland.

In 1985, the Michigan Infrastructure Coalition and the Public Investment Coordination Task Force recommended to Gov. Blanchard that decisive action be taken to carefully plan where and how infrastructure improvements are made in the coming years, viewing agriculture, industry, development and resource preservation as priorities all heavily dependent upon infrastructure. One proposal was that state agencies responsible for transportation, agriculture and natural resources should coordinate efforts to the advantage of agricultural development.

Michigan State Planning Commission, *A Study of Michigan*, Lansing, Michigan, 1935.

Michigan Planning Commission, Michigan State College Agriculture Extension Service, *Michigan's Major Problems with Suggested Solutions: a Report of the Agricultural Advisory Committee of the Michigan Planning Commission*, Lansing, Michigan, 1946.

Governor Milliken's Agriculture Task Force, *Final Report: Governor's Task Force on the Future of Agriculture*, Lansing, Michigan, 1970.

Department of Natural Resources, *Michigan's Future Was Today*, report to Governor Milliken, 1974.

The Michigan Infrastructure Coalition and the Public Investment Coordination Task Force, *From Crisis to Opportunity: Rebuilding Michigan's Infrastructure*, report to Governor Blanchard, 1985.

Appendix D: Acquisition of Development Rights or Conservation Easements

Agricultural conservation easements are voluntary agreements specifically designed to protect farmland. They generally prohibit uses that damage agricultural value or productivity. Landowners can donate agricultural conservation easements or sell them, if there is an available program to buy them.

Conservation easements are flexible documents with terms tailored to suit the individual needs of landowners. An agricultural conservation easement usually will permit the construction of new farm buildings or a few carefully located houses for family members. Some easements allow limited development and subdivision of a few lots for non-farm sale or use. Conservation easements may be donated, sold, leased or transferred, depending upon state and local enabling legislation.

There are many benefits to a conservation easement program. They are voluntary for the landowner. The program makes it possible for parents to transfer farms to their children at farm value rather than development value. Younger farmers can buy preserved farms at farm value rather than development value. Farmland preservation encourages communities to prioritize the planning of their natural resources. Clusters of preserved land allow for easier land management and reduce conflicts between agricultural and non-agricultural neighborhoods.

PURCHASING CONSERVATION EASEMENTS --OR DEVELOPMENT RIGHTS

State and local governments and private organizations can protect high quality farmland parcels through the use of Purchase of Development Rights (PDR) programs whereby the development rights are purchased and then retired. The landowner is paid a one-time amount for the value of his development rights, defined as the difference between the fair market value of the land for non-farm development and its value solely for agricultural purposes. The closer a parcel is to urban areas and development pressures, the greater the value of the development rights - both in absolute value and as a percent of market value. These values are determined by professional appraisers. When landowners sell conservation easements, or development rights, the agreement is recorded in the land records and limits the future use of the land to agriculture.

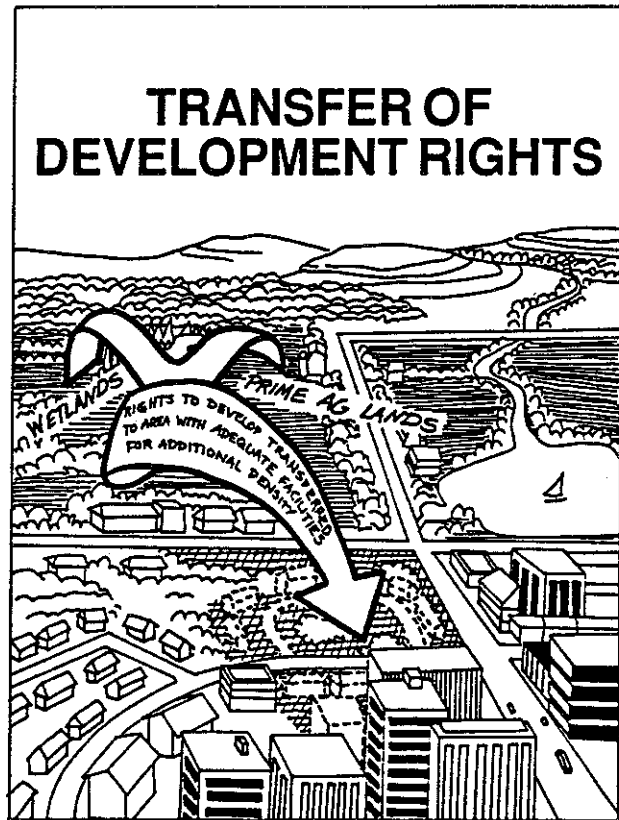
Although PDR programs may be structured differently, they have much in common. They are always voluntary, and participants retain full ownership and control of their land. Landowners can sell or transfer their property whenever and to whomever they please. But because of the easement, the land is permanently protected from non-farm development and remains available for agricultural use. Most programs allow landowners to buy back development rights if it can be shown that agriculture is no longer viable on the property. However, rigorous tests are applied to meet this determination.

PDR programs help stabilize farmland values and strengthen the future of farming in communities where they are implemented. Because the proceeds from the sale of development rights are usually spent close to home in capital improvements or to acquire additional farmland, these programs help support the local economy. Farmers also use the income from selling development rights to reduce debt load, establish funds for retirement or distribute to non-farm heirs. In these ways, PDR programs sustain agriculture by supporting local businesses and related services that are vital to the farm economy.

TRANSFERRING DEVELOPMENT RIGHTS

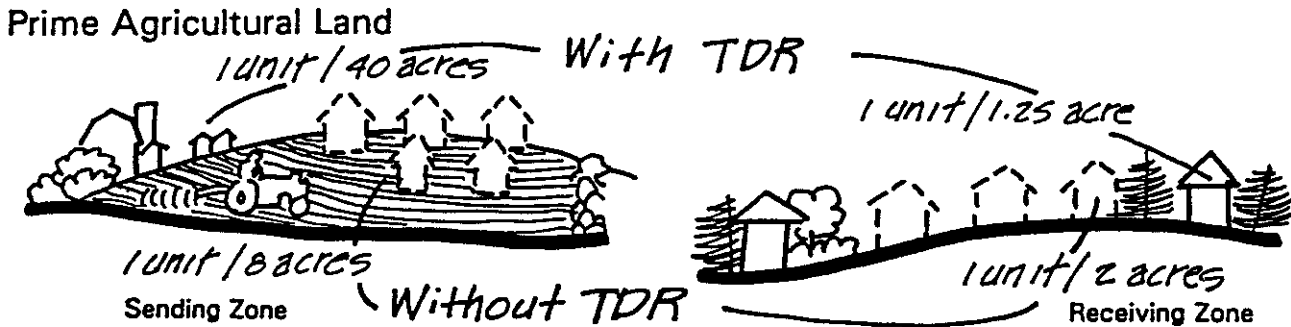
Transfer of Development Rights (TDR) programs are intended to maintain designated areas in agricultural or open space use while compensating the owners of the protected land for the loss of their right to develop it for non-farm purposes. In effect, programs concentrate development in existing built-up areas while protecting farmland and compensating landowners. TDR programs involve the private sector as well as government and can be tailored to achieve specific community land protection and development goals.

A typical TDR system establishes both a preservation district and a development district. Landowners in the preservation district - or sending district - are assigned development rights, but are not allowed to develop their property. Instead, they may sell their development rights to landowners in the development district - or receiving district - who may then use these rights to build at higher densities than allowed under current zoning guidelines. As in PDR, when development rights are sold the easement is legally recorded and becomes part of the chain of title to the property. In addition, the protected land stays in private hands and on local tax rolls.



Source: Planning and Zoning Center

When programs are set up, transfers take place on the open market with oversight by local government. TDR is very dependent upon local planning and political processes and relies on a dynamic private market to take advantage of the higher development densities the technique creates. Establishing a program's structure requires far-reaching master plan and zoning ordinance revisions.



Source: Planning and Zoning Center

DONATING CONSERVATION EASEMENTS

While conservation easements limit specific development rights, they do not affect other private property rights. Landowners who donate agricultural conservation easements retain all rights to use their land for farming and other purposes that do not inhibit the ability to farm. They still hold title to their properties, they still may restrict public access, and they still may sell, give or transfer their property as they desire. Farmers also remain eligible for any state or federal farm program for which they qualified before entering into the conservation agreement.

When landowners donate conservation easements, they confer the economic value associated with developing their land. This can reduce federal and state income taxes local property taxes and estate taxes. For example, if the easement qualifies under Internal Revenue Service rules, its value is deductible from gross income as a charitable contribution and also would reduce the gross taxable estate. The amount is determined by a qualified appraiser and is generally equivalent to the difference between the land's value with and without easements.

Most state tax laws mirror federal law and provide a charitable deduction for qualified easements. Some states direct local tax assessors to take into account the existence of conservation easement restrictions when assessing property. If the property is not already assessed at use value, this should result in lower property taxes.

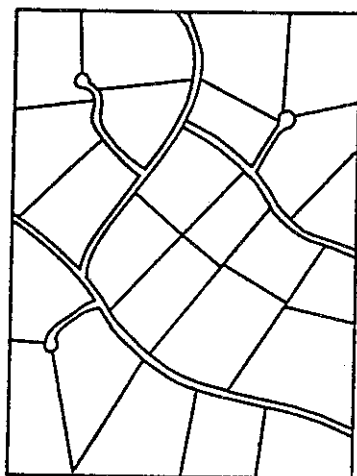
Donating agricultural conservation easements benefits private landowners and serves public conservation efforts. For landowners, tax benefits may be the most tangible advantage, but they usually protect their land because they value the fact that it will be conserved and their families can continue to farm. For local governments, easements help maintain agricultural viability by ensuring that productive farmland will be available for future generations. Easements protect valuable farmland and allow private citizens to work together to protect the working landscape, wildlife habitat, natural resources and quality of life. Meanwhile, the land stays on the tax rolls supporting public services.

Appendix E: Effective Zoning Tools

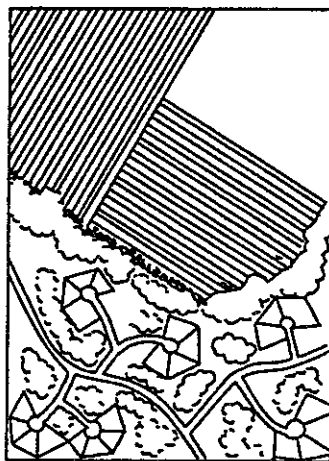
The following are a few examples of effective zoning tools that help minimize the impact of development on farmland and farming operations.

CLUSTER ZONING

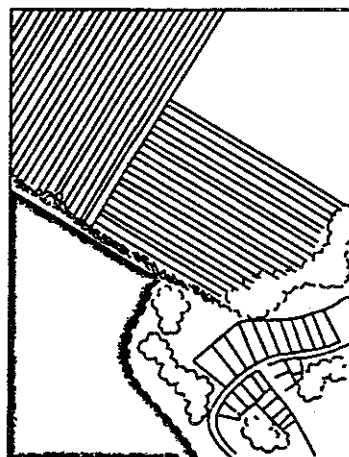
Cluster or open space zoning is designed to protect open land while allowing new development. Its basic concept is to increase density on part of a parcel while leaving the rest of the parcel undeveloped. The total number of houses allowed remains the same, but the impact of the development on natural resources is minimized. The costs of providing public services should also be reduced because the houses are closer together.



Traditional Zoning



Cluster



Traditional Hamlet Style
Cluster Development

Source: American Farmland Trust

BUFFER STRIPS

Areas experiencing rapid residential expansion onto agricultural lands may enact buffer strips to act as physical barriers or to put distance between potentially conflicting land uses. Buffers can also protect farmers from vandals and trespassers. Buffer strips can be enhanced with vegetation or grading land to reduce the potential for clashes between commercial farmers and residential neighbors.

Generally, buffers are located where a residential development abuts farmland. Communities can set their own limits on buffer strips to address: distance from homes, number of rows, spacing between rows, height and species of vegetation or other applicable conditions.

BUFFER DISTRICTS

Buffer districts can offer country living opportunities while minimizing the tension between commercial agriculture and suburban land uses. They can help protect the long-term integrity of an agricultural district, particularly if exclusive agricultural zoning is in force. The number and placement of buffer districts varies according to the preferences and circumstances of individual communities. A simple buffer area could act as a transition between an exclusive agricultural zone and one that allows for more intensive development. For example, it could provide for single-family homes on specified lot sizes while still permitting continued agricultural production

LIMITED DEVELOPMENT

Using limited--or conservation--development, landowners can finance the protection of their best farmland by developing a small portion of their property. Sometimes this technique is called creative development. If the conservation plan adheres to local ordinances, limited development effectively becomes a private approach to cluster zoning. The technique helps balance farmland protection with the financial needs of the landowner.

Many farms have some less-productive land with qualities that make it attractive for development. By setting aside a limited number of lots and locating them so they do not interfere with the farming operation, landowners can obtain much-needed cash while continuing to farm. A limited development may be combined with the donation or sale of conservation easements.

QUARTER-QUARTER ZONING

Under quarter-quarter zoning, each landowner is entitled to one lot per 40 acres of farmland. Once the landowner has converted the lot or lots he or she is entitled to, it becomes a matter of record, and no further non-farm development on the parcel is permitted.

This approach works best in rural areas with large farming operations and where the average parcel size exceeds 40 acres. Further refinement of this technique is achieved by the use of a set of standards that governs setbacks and lot size.

SLIDING-SCALE ZONING

Sliding-scale zones work best in areas with a wide range of parcel sizes and when landowners participate in setting the dimensions of the scale. Further refinement can be achieved by establishing minimum and maximum building lot sizes. To keep productive farmland in agricultural use, maximum lot sizes (usually one or two acres) can be established and non-farm development encouraged on less productive land.

The number of buildable lots allowed under this approach is set by a scale that weighs the total size of the parcel. Proportionally, owners of smaller parcels are allowed to split more land into lots than owners of larger parcels.

The technique received a significant legal boost in 1985 when the Pennsylvania Supreme Court upheld a sliding-scale ordinance prohibiting more than three dwellings on a 43-acre farm parcel because of its farmable size and the fertility of its soils. In a related Pennsylvania case, an appellate court concluded that "preservation of agricultural land is a legitimate zoning purpose and that the ordinance provisions are rationally related to that goal" and upheld minimum lot sizes greater than 10 acres.

SCHEDULE OF DENSITY TABLE

Max. # of Additional Lots Permitted

<u>Area of Lot of Record</u>	<u># Lots</u>
1 to 10 acres	1
10.1 to 20 acres	2
20.1 to 40 acres	3
40.1 to 80 acres	4
80.1 to 160 acres	5
160.1 to 320 acres	6
over 321 acres	7

EXCLUSIVE AGRICULTURAL ZONING

Exclusive agricultural zoning establishes large minimum acreage requirements for non-farm rural residences and generally prohibits non-farm dwellings. It can severely restrict other non-farm uses, although some special exceptions related to agriculture may be permitted.

Exclusive agricultural zoning can be a successful farmland-protection tool if it requires sufficiently large minimum lot sizes to support viable agricultural operations. Communities must determine their own minimum lots depending on the type of production in their areas. Typically these range from 25 to 160 acres. In fact, the Illinois courts upheld a 160-acre minimum lot size in an agricultural zone that was prepared to conform to a comprehensive county plan seeking to protect important farmlands.